FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

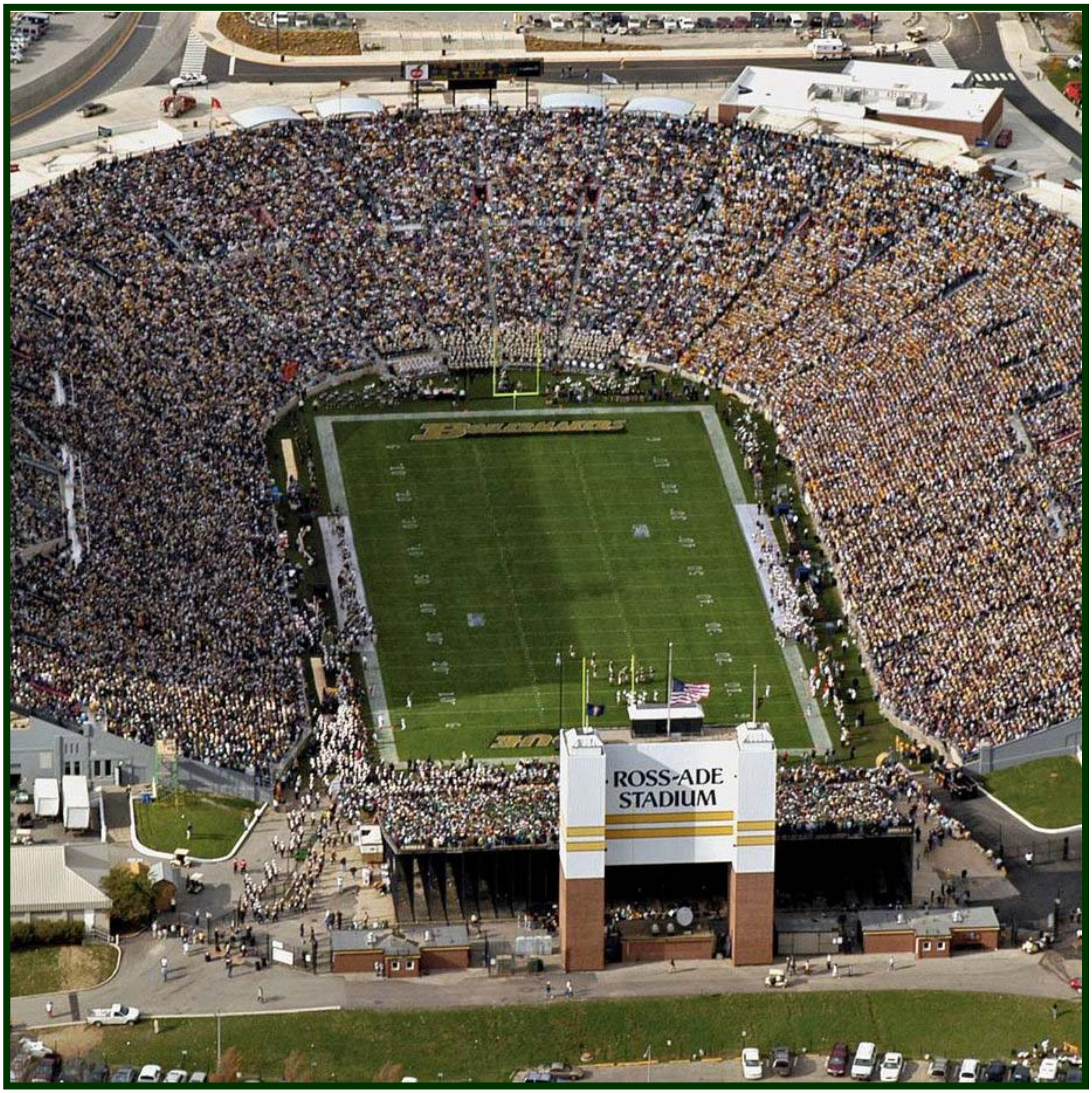
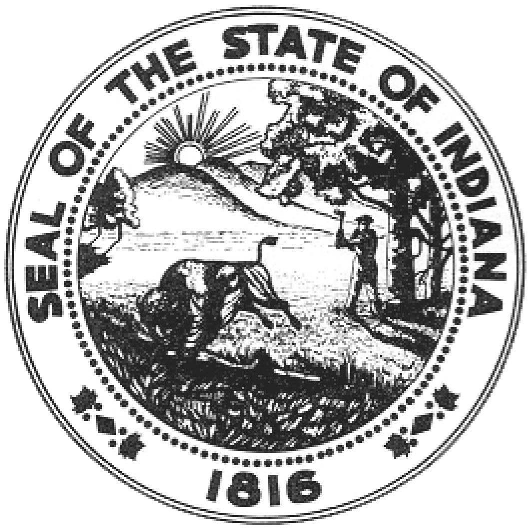


Photo courtesy of Purdue University

Purdue University – Ross-Ade Stadium


SEAL OF THE STATE OF INDIANA
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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: The Honorable Mitchell E. Daniels, Jr.
The Members of the General Assembly, and
The Citizens of the State of Indiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Indiana's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the local government investment pool which represent 100% of the assets and revenues of the investment trust fund. We also did not audit certain component units of the State, as discussed in Note I(A), which represent 27% and 4.3% of the assets and revenues of the colleges and universities and 100% of the assets and revenues of the proprietary discretely presented component units. The financial statements of the investment trust fund and these component units were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to those units, are based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I(A) to the financial statements, the Housing and Community Development Authority and Indiana Comprehensive Health Insurance Association, discretely presented component units, report on a December 31, 2007, year-end. As discussed in Note IV(G) to the financial statements, the State of Indiana has restated certain beginning fund balances and net assets.

The Management Discussion and Analysis and Schedules of Funding Progress for Employee Retirement Systems and Plans and Other Postemployment Benefit Plans, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Indiana's basic financial statements. The introductory section, combining and individual nonmajor and discretely presented component unit fund information, budgetary comparison information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor and discretely presented component unit financial statements and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

State Board of Accounts

STATE BOARD OF ACCOUNTS

December 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF INDIANA
Management's Discussion and Analysis
June 30, 2008

The following discussion and analysis of the State of Indiana's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the State's financial statements, which follow this section. Because of prior period adjustments and reclassifications as described in Note IV(G) in the Notes to the Financial Statements, fiscal year (FY) 2007 numbers have been restated.

Financial Highlights

- For FY 2008, on a government-wide basis, the assets of the State of Indiana exceeded its liabilities by $19.2 billion. This compares with $18.5 billion for FY 2007, as restated. Of this amount, $8.9 billion may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $2.3 billion, or 25.2% of the total general fund expenditures.
- On a government-wide basis for the primary government, the State incurred expenses net of program revenue of $14.3 billion, which are offset by general revenues totaling $14.8 billion, giving an increase in net assets of $755.3 million. The financial position of the State has improved as can be seen in this increase in net assets.
- Indiana is not immune from the impact of the national economic downturn, but Indiana's economy is performing comparably or better than those of our neighboring states. The State's unemployment rate, which averaged 4.7% in FY 2007, declined to 4.5% during the first six months of FY 2008 before increasing to 5.0% during the last six months of the fiscal year. Despite rising unemployment, personal income increased at an estimated annual rate of 4.1% in the third quarter of FY 2008. Aided by the economic stimulus package enacted by the federal government, personal income increased in Indiana by an estimated 6.5% in the fourth quarter of FY 2008 bringing growth for the year to 4.2%. Individual income tax revenues increased by 4.8% in FY 2008 while sales tax revenues, adjusted to remove the additional revenue attributable to increasing the tax rate, matched the FY 2007 growth rate of 2.9%. In total, revenue to the State's General Fund and Property Tax Replacement Fund increased by 2.4% in FY 2008.
- General revenue for the primary government increased by $727.1 million, or 5.1%, from FY 2007. Income, sales, and alcohol and tobacco taxes were the driving forces behind this increase, with growth rates of 3.6%, 7.0%, and 39.6%, respectively. These grew in line with the increases in tax rates.
- The State of Indiana achieved its third balanced budget in a row for the fiscal year ended June 30, 2008 with revenue exceeding expenditures by $321.4 million. Another balanced budget was achieved through restraint and prudent fiscal management by state agencies and by Governor Daniels limiting annual spending growth to 2.8%.
- For the first time in the state's history, Indiana's credit rating has been raised to AAA, the highest rating assigned by the independent credit rating agency Standard & Poor's Ratings Service (S&P). The upgrade from AA+ "reflects the state's continued strong management that has led to the property tax reform that has realigned state and local spending and is not expected to impact the state's long-term financial performance. As well, the state's commitment to attract diverse jobs through its economic development efforts has translated into a shift away from traditional manufacturing employment," said the credit agency. The report said the administration has made significant financial management changes and strengthened budgeting practices. S&P cited four areas in issuing the AAA credit rating: stable and diversifying economic base despite continued manufacturing concentration; a conservative biennial budget that will add to the fund balance by the end of the biennium; property tax reform that has clarified the state's financial responsibilities; and, low overall debt levels.

Key Economic Indicators

	Dec. 31, 2007	Dec. 31, 2006	% Change
Total Employed Labor Force	3,047,824	3,126,828	-2.5%
Total Goods and Service Employment	3,020,800	3,006,400	0.5%
Service-Providing Employment	2,318,600	2,289,100	1.3%
Goods-Producing Employment	702,200	717,300	-2.1%
Unemployment Rate	4.5%	4.8%	-6.3%
Median Household Income	47,453	45,394	4.5%

Sources: Bureau of Labor Statistics and US Census Bureau.

Salaries and benefits for State employees represent approximately 8% of governmental fund expenditures. The following table shows a ten year history of the count of full time State employees.

Full Time State Employees Paid Through The Auditor of State's Office

	Governor's Authority	Judiciary	Other Elected Officials	On Disability Leave - In Pay Status	On Disability Leave - Not in Pay Status	Total
2008	32,606	811	1,139	727	339	35,622
2007	31,524	772	1,123	789	313	34,521
2006	31,822	753	1,102	941	279	34,897
2005	34,673	743	1,058	1,077	269	37,820
2004	35,794	756	1,020	1,012	266	38,848
2003	34,909	741	1,003	988	248	37,889
2002	35,474	731	1,017	1,078	252	38,552
2001	36,376	728	1,002	969	238	39,313
2000	35,516	713	983	988	3	38,203
1999	34,928	696	1,005	907	-	37,536

Notes:
* Tracking of employees on disability leave in pay status versus non-pay status began in earnest during fiscal year 2001.
** Data presented is as of the June 30 fiscal year end which is a change from prior year reporting that used a calendar year end date of December 31.

For more information on people paid through the Auditor of State’s Office, please read the Statistical Section.

Overview of the Financial Statements

This Financial Section consists of four parts: management's discussion and analysis (this part), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the State. The first two statements are government-wide financial statements that provide both long-term and short-term information about the State's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements.

- The governmental fund statements tell how general government services such as public safety, education, and welfare were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Unemployment Compensation Fund.
- Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong, such as the retirement plan for the State's employees.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* and *other supplementary information* that further explain and support the information in the financial statements.

Government-wide Financial Statements

The government-wide financial statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the State's net assets and how they have changed. Net assets, the difference between the State's assets and liabilities, is one way to measure the State's financial health, or position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State of Indiana is improving or deteriorating. To assess the overall health of the State, additional non-financial factors should be considered, such as changes in the State's tax base, the condition of the State's roads and the State's student population. The government-wide financial statements of the State are divided into three categories:

- **Governmental activities**. Most of the State's basic services are included here, such as the State's roads and bridges, and health and environmental programs. State sales and income taxes and federal grants finance most of these activities.
- **Business-type activities**. The State provides goods and services through these activities that are financed or recovered primarily through fees and user charges. The Unemployment Compensation Fund, the Inns and Concessions Fund, and the Indiana Residual Malpractice Insurance Authority are included here.
- **Discretely Presented Component Units**. These are legally separate discretely presented entities for which the State is financially accountable. These include, among others, the Indiana Finance Authority, the Indiana Bond Bank, the Board for Depositories, the Indiana Housing and Community Development Authority, and colleges and universities that receive State funding.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds, not the State as a whole. Funds are accounting devices that the State uses to keep track of specific sources of funding and spending for particular purposes. The State of Indiana uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The State has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

1. **Governmental funds**. Most of the State's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs.

   *Relationship and Reconciliation***.** Because the information provided in the governmental funds statements does not encompass the additional long-term focus of the government-wide statements, reconciliation pages are provided. On the page following each governmental fund's financial statement, these reconciliations explain the differences between the government-wide and the fund financial statement. Government-wide statements use full accrual accounting. Revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of related cash inflows and outflows. Governmental fund financial statements use the modified accrual basis of accounting. Revenues are recognized when earned so long as they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. Debt service payments and a number of specific accrued liabilities are recognized as expenditures when payment is due because that is when they are normally liquidated with expendable available financial resources.

Non-current assets such as infrastructure, land, and property, plant and equipment appear on the government-wide statements but not on the governmental fund statements where they are expensed as acquired rather than capitalized. Non-current liabilities such as revenue bonds payable and net pension obligations also appear on the government-wide statements but not on the fund statements. Internal service funds are included as part of the governmental activities in the government-wide statements but not the governmental fund financial statements because they provide services to the governmental funds.

2. **Proprietary funds**. Services for which the State charges customers a fee are generally reported in proprietary funds. These funds use the economic resources measurement focus and the accrual basis of accounting. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the State's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows. The State uses internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the State's other programs and activities. An example would be the State Employee Health Insurance Fund.

3. **Fiduciary funds**. The State is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

Financial Analysis of the State as a Whole

Net Assets

The following is condensed from the Statement of Net Assets:

State of Indiana
Condensed Schedule of Net Assets
(in millions of dollars)

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 13,254.9	$ 14,175.3	$ 333.6	$ 403.6	$ 13,588.5	$ 14,578.9
Capital assets	10,661.3	10,039.7	13.7	11.1	10,675.0	10,050.8
Total assets	23,916.2	24,215.0	347.3	414.7	24,263.5	24,629.7
Current liabilities	3,464.4	4,572.6	10.8	11.0	3,475.2	4,583.6
Long-term liabilities	1,504.9	1,515.1	47.2	50.2	1,552.1	1,565.3
Total liabilities	4,969.3	6,087.7	58.0	61.2	5,027.3	6,148.9
Net assets:						
Invested in capital assets, net of related debt	9,339.7	8,706.6	13.7	11.1	9,353.4	8,717.7
Restricted	719.8	1,077.6	265.0	342.2	984.8	1,419.8
Unrestricted	8,887.4	8,343.1	10.6	0.2	8,898.0	8,343.3
Total net assets	$ 18,946.9	$ 18,127.3	$ 289.3	$ 353.5	$ 19,236.2	$ 18,480.8

At the end of the current fiscal year, net assets for governmental activities were $18.9 billion as compared to $18.1 billion in 2007. This was an increase of $0.8 billion.

Current and other assets decreased by $920.4 million with securities lending collateral making up the bulk of this decrease. Capital assets increased by $621.6 million. The principal reason for the increase in capital assets was the increase in infrastructure and construction in progress at the Indiana Department of Transportation due to the State's Major Moves initiative.

Total liabilities decreased by $1.1 billion. This decrease is explained principally from a decrease in securities on loan as of June 30, 2008. A liability that increased to offset the total decrease was from the startup of recognizing a GASB 45 OBEB liability of $35.7 million.

The State maintains a Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund"). This fund was established to assist in stabilizing revenue of the State's General Fund during periods of economic recession. In other words, in good times the balance in the fund should increase, and in bad times, the money can be used to offset deficits. The fund had available assets of $363.0 million or 4.3% of the total governmental activities unrestricted net assets.

Changes in Net Assets

The following is condensed from the Statement of Activities:

State of Indiana
Condensed Schedule of Change in Net Assets
(in millions of dollars)

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	$ 1,684.2	$ 1,253.5	$ 646.3	$ 660.3	$ 2,330.5	$ 1,913.8
Operating grants and contributions	9,408.8	8,572.6	134.6	-	9,543.4	8,572.6
Capital grants and contributions	26.9	11.3	-	-	26.9	11.3
General revenues:					-	-
Individual and corporate income taxes	5,838.7	5,638.2	-	-	5,838.7	5,638.2
Sales taxes	5,873.3	5,491.8	-	-	5,873.3	5,491.8
Other	3,363.8	3,218.7	21.6	25.0	3,385.4	3,243.7
Total revenues	26,195.7	24,186.1	802.5	685.3	26,998.2	24,871.4
Program Expense						
General government	5,172.0	4,562.2	-	-	5,172.0	4,562.2
Public safety	1,385.0	1,250.1	-	-	1,385.0	1,250.1
Health	387.3	343.6	-	-	387.3	343.6
Welfare	9,158.3	7,974.1	-	-	9,158.3	7,974.1
Conservation, culture and development	590.1	535.0	-	-	590.1	535.0
Education	7,369.7	7,012.8	-	-	7,369.7	7,012.8
Transportation	1,309.3	1,770.7	-	-	1,309.3	1,770.7
Interest expense	0.7	0.8	-	-	0.7	0.8
Unemployment compensation fund	-	-	846.0	758.7	846.0	758.7
Other	-	-	24.5	32.9	24.5	32.9
Total expenses	25,372.4	23,449.3	870.5	791.6	26,242.9	24,240.9
Excess (deficiency) before transfers	823.3	736.8	(68.0)	(106.3)	755.3	630.5
Transfers	(3.7)	(1.0)	3.7	1.0	-	-
Change in net assets	819.6	735.8	(64.3)	(105.3)	755.3	630.5
Beginning net assets, as restated	18,127.3	17,391.5	353.5	458.8	18,480.8	17,850.3
Ending net assets	$ 18,946.9	$ 18,127.3	$ 289.2	$ 353.5	$ 19,236.1	$ 18,480.8

Governmental Activities

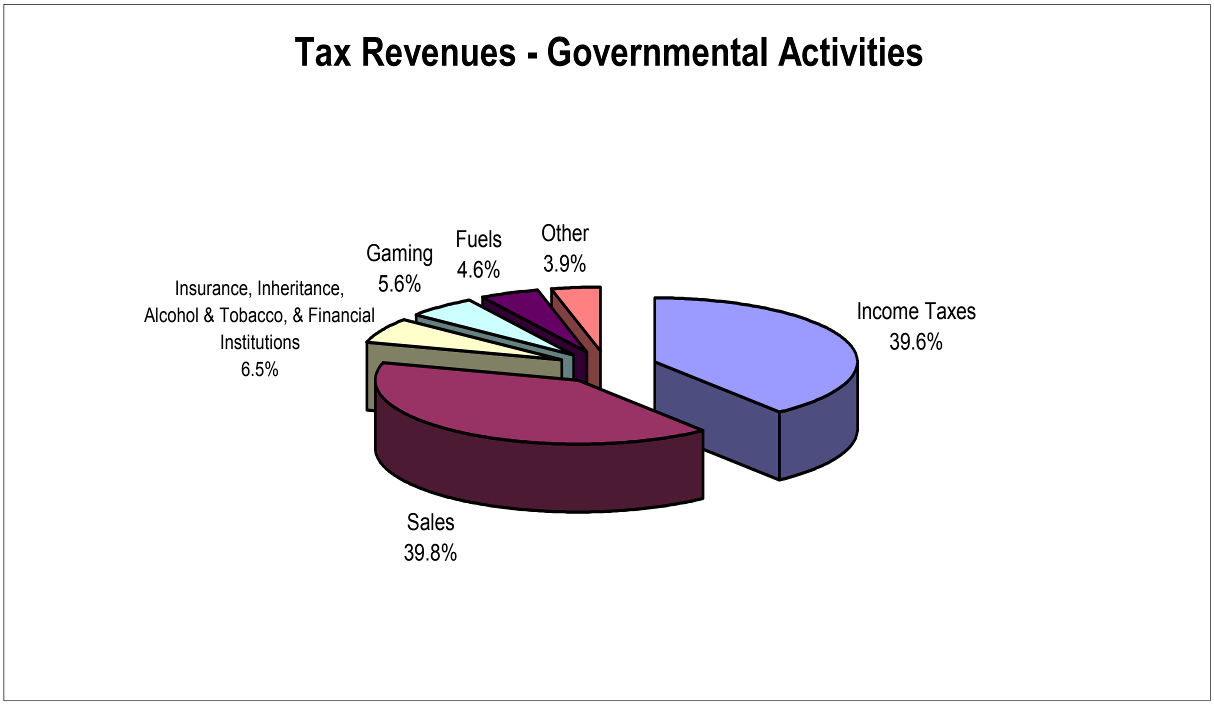
Program expenses exceeded program revenues by $14.3 billion. General revenues and transfers were $15.1 billion, leaving an increase in net assets of $0.8 billion, which is 3.1% of total revenues.

The increase to excess (deficiency) before transfers of $86.5 million was brought about by an increase of total revenues of $2.0 billion offset by an increase in total expenses of $1.9 billion.

Revenues increased from increases in tax rates. Sales tax rates increased from 6% to 7% or 16.7% effective April 1, 2008. Effective July 1, 2007, the cigarette tax rate increased from $0.555 per pack to $0.995 or 79.3% per pack. These two increases in tax rates contributed to significant increases in sales and alcohol and tobacco tax revenues. Another major factor for the increase in revenues was in operating grants and contributions which was due principally to the recognition of a grant receivable for Medicaid expenditures that were recorded as a payable as of June 30, 2008.

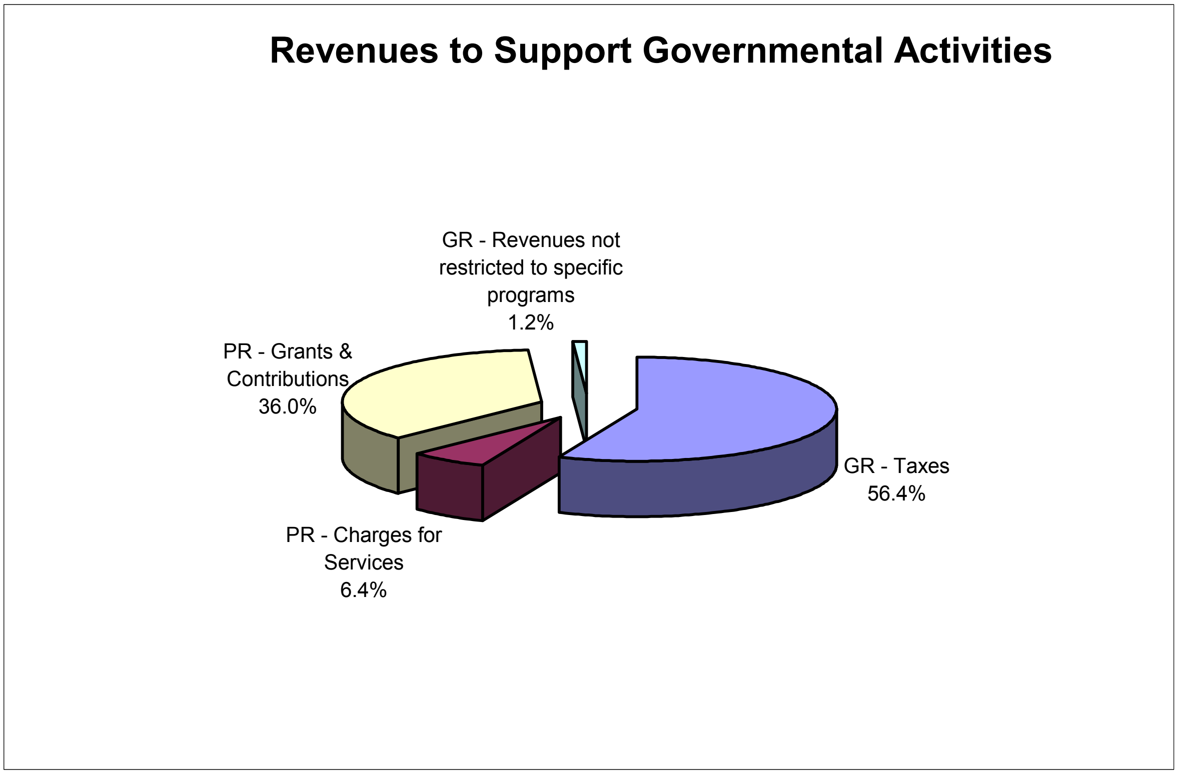
The increase in expenses was caused by increases in general government spending of $608.3 million and in welfare spending of $1.2 billion. Medicaid Assistance Fund Expenditures increased by $1.0 billion which was the critical factor for the increase in Welfare expense.

Tax revenues for governmental activities were broken down as follows:



Tax revenues of $14.8 billion represent 56.3% of total revenues for governmental activities. This compares to $14.0 billion in FY 2007 or 58.0% of total revenues in FY 2007. Program revenues accounted for $11.1 billion or 42.4% of total revenues. In FY 2007, program revenues accounted for $9.8 billion or 40.7% of total revenues. General revenues other than tax revenues were $315.6 million or 1.2% of total revenues. Of this $239.4 million was investment earnings. This compares to 2007, when general revenues other than taxes were $330.3 million or 1.4% of total revenues and $260.8 million was investment earnings. Investment earnings decreased by $21.4 million from FY 2007 to FY 2008 or 8.2% due to the decrease in interest rates.

Total revenues for governmental activities were broken down as follows:



PR = program revenues
GR = general revenues

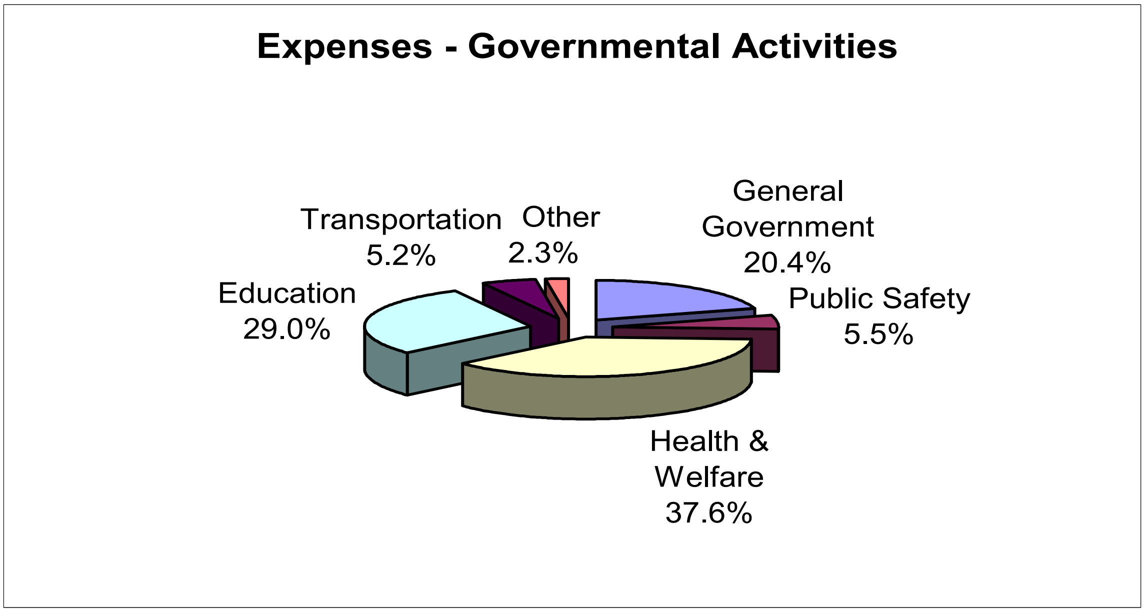
Total revenues were 103.3% of expenses which was the same percentage in FY 2007. Total revenues grew 8.4% from $24.2 billion in FY 2007 to $26.2 billion in FY 2008. Expenses grew 8.2% from $23.5 billion in FY 2007 to $25.4 billion in FY 2008.

The largest portion of the State's expenses is Health and Welfare, which is $9.5 billion, or 37.6% of total expenses. This compares with $8.2 billion, or 35.0% of total expenses in FY 2007. This increase was due in part to the creation of the Healthy Indiana Plan, a health insurance program for uninsured adults. The State also increased its assistance under the Childrens Health Insurance Program. In addition, the state increased the number of family case managers in the Division of Child Services. Some of the major expenses were Medicaid assistance including administration, $6.8 billion and the federal food stamp program, $788.5 million.

Education comprises 29.0%, or $7.4 billion, of the State's expenses. In FY 2007, Education accounted for 29.9%, or $7.0 billion, of expenses. All but $854.0 million of this is funded from general revenues. Some of the major expenses were tuition support, $3.9 billion, State colleges and universities, $1.3 billion, Teachers' Retirement Pension, $621.2 million, and the national school lunch program, $205.6 million. Education expenditures remained relatively consistent as compared to the prior year.

$5.2 billion, or 20.4% of expenses, was spent for General Government. General Government comprised $4.6 billion or 19.9% of expenses in FY 2007. General Government includes local distributions and money for State administration and those functions that serve the State as a whole. Examples of local distributions are the property tax replacement credit, which subsidizes local property tax collections, and the motor vehicle excise replacement credit, which subsidizes automobile license fees. The State's administrative costs have increased due in large part to the rising costs of goods and services nationally. Examples of State administration would be the executive branch of government, the State legislature, and the judiciary.

Total expenses for governmental activities were broken down as follows:



Business-type Activities

Business-type activities represent 3.0% of the Primary Government's revenues and 3.3% of the expenses. The Unemployment Compensation Fund accounts for 97.3% of business-type activities' operating revenues and 97.2% of operating expenses. The change in net assets for business-type activities was a decline of $64.3 million.

The Unemployment Compensation Fund collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals and the fund covers general and administrative expenses. Benefits and administrative expenses paid exceeded revenue in the fund by $77.2 million. This compares to FY 2007 when this fund's expenses exceeded revenue by $106.7 million. Employer contributions into the fund increased by $4.0 million, from $613.7 million in FY 2007 to $617.7 million in FY 2008. The decrease in net assets is due to the increase in benefits paid because of more Hoosiers receiving unemployment benefits.

Net Cost of Primary Government
(in millions)

	June 30, 2008	June 30, 2007	% change
Governmental Activities:			
General government	$ 3,883.6	$ 3,551.3	9.4%
Public safety	714.3	587.5	21.6%
Health	141.7	124.5	13.8%
Welfare	2,496.9	2,286.8	9.2%
Conservation, culture, and development	169.6	182.9	-7.3%
Education	6,515.7	6,222.2	4.7%
Transportation	329.9	655.9	-49.7%
Unallocated interest expense	0.7	0.8	-12.5%
Business-type Activities:			
Unemployment Compensation Fund	93.7	129.0	-27.4%
Other	(4.1)	2.3	-278.3%
TOTAL	$ 14,342.0	$ 13,743.2	4.4%

This schedule shows the net expense (revenue) attributable to each function of government. Each function of Indiana government is either self-supporting (a negative number) or requires additional general revenues to cover expenses (a positive number).

Financial Analysis of the State's Funds

The following is an analysis of the State's major governmental funds. Please note that transfers in and transfers out for these funds are explained in much greater detail in note IV(B) in the Notes to the Financial Statements.

General Fund

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government which are not required to be accounted for in another fund. The fund balance of the General Fund at June 30, 2008 was $2.9 billion, which is 53.7% of assets. This compares to a fund balance at June 30, 2007 of $2.3 billion, which was 43.2% of assets. This indicates that the State's financial position in the General Fund is better than the prior year by $611.1 million. The fund balance of $2.9 billion is composed of reserves of $0.6 billion and unreserved of $2.3 billion. Major reserves are:

- Encumbrances of $44.7 million, which is money set aside to pay for future obligations.
- Loans of $169.1 million, which consists of $18.1 million in loans to entities outside the primary government and $151.0 million in interfund loans.
- Tuition support of $400.0 million, which is money set aside for distributions to schools.

The State calculates a cash basis surplus balance monthly. The year-end surplus balance is combined with estimated revenue forecasts to assess and determine the State's budget. This surplus balance is contained in the General Fund. As of June 30, 2008, the surplus balance was $1,413.1 million. The balance increased by $127.4 million from the June 30, 2007 balance of $1,285.7 million. This surplus balance is composed of:

- $400.0 million tuition support, which is money set aside to pay for distributions to schools.
- $363.0 million rainy day fund, which is to assist in stabilizing revenue during periods of economic recession and is part of designated unreserved.
- $592.5 million, which represents the excess of revenues over expenditures.
- $57.6 million which represents the reserve for Medicaid.

The $592.5 million is on a cash basis. Accrual adjustments of $509.1 million reconcile this to the General Fund unreserved, undesignated fund balance on a GAAP basis of $1,306.4 million. The unreserved, undesignated fund balance of $1,306.4 million plus the unreserved fund balance designated for appropriations of $416.2 million, plus the unreserved fund balance designated for allotments of $534.4 million give the total unreserved fund balance of $2,257.0 million. This ties to the balance sheet for the General Fund. For more information on designations of unreserved fund balance, see the chart in the Notes to the Financial Statements III(B).

The General Fund's revenues increased 13.0%, or $1.3 billion, from FY 2007, primarily due to a 37.9% increase or $1.0 billion in sales tax revenue. When the state increased its sales tax rate, it also increased the percentage of sales tax revenue to be allocated to the General Fund.

The General Fund had transfers in of $2.7 billion compared to $2.6 billion in FY 2007. Transfers out were $4.2 billion compared to $3.5 billion in FY 2007. More detail on these transfers can be found in the Notes to the Financial Statements IV(B).

Overall, the improved position of the General Fund in the amount of $491.0 million can be attributed to the increase in the state sales tax rate from 6% to 7% and prudent fiscal management.

Motor Vehicle Highway Fund

The Motor Vehicle Highway Fund receives portions of gas and special fuel tax, motor vehicle registration fees, the motor carrier surtax, federal revenue, and other revenues. These are distributed to cities and towns, counties and the State Department of Transportation and are used to help fund the State Police, the Bureau of Motor Vehicles, the Department of Revenue and others. The fund collected $485.7 million in taxes vs. $498.3 million in FY 2007. Current service charges, including vehicle licenses, decreased from $137.0 million to $135.0 million. These decreases are a result of reduced driving by Indiana citizens due to high gas prices and a credit given to citizens for online vehicle registrations. The fund distributed $369.4 million to local units of government, $230.7 million for public safety, and transferred $354.0 million to other funds, which include the Department of Transportation and the Underground Petroleum Storage Tank Excess Liability Fund. These amounts compare to FY 2007 distributions of $301.1 million to local units of government, $193.0 million for public safety, and transfers of $373.8 million to other funds. The change in fund balance from FY 2007 to FY 2008 was a decrease of $14.4 million.

Medicaid Assistance Fund

Medicaid is an insurance program for low-income people. It is jointly funded by the Federal government and the State. The Medicaid Assistance Fund received $4.1 billion in Federal revenue as compared to $3.8 billion in FY 2007. State funding comes through the $1.9 billion of transfers in which was the same total in FY 2007. Transfers out were $151.9 million compared with $212.9 million in FY 2007. The Fund distributed $6.5 billion in Medicaid assistance as compared to $5.5 billion in FY 2007. This increase was due in part to the creation of the Healthy Indiana Plan, a health insurance program for uninsured adults. The State also increased its assistance under the Childrens Health Insurance Program. In addition, the state increased the number of family case managers in the Division of Child Services. The change in fund balance increased by $37.6 billion from FY 2007 to FY 2008.

Major Moves Construction Fund

The Major Moves Construction Fund was created in fiscal year 2006 as part of the leasing of the Indiana Toll Road to Cintra-Mcquarie, a private company. This fund distributes money received from the Toll Road lease for new constructions and major preservation of highways and bridges throughout Indiana.

The Major Moves Construction Fund transferred $100.0 million to the State Highway Department Fund and $75.0 million to the Motor Vehicle Highway Fund. The fund received $133.3 million in investment income and distributed $10.0 million to the Northwest Indiana Regional Development Authority. The change in fund balance from FY 2007 to FY 2008 was a decline of $128.7 million.

State Highway Department Fund

The State Highway Department Fund was created to fund the construction, reconstruction, operation, maintenance, and control of State highways and tollways. The fund collected $668.0 million in grants and received $591.1 million in transfers in, which are taxes and revenues collected in other funds, compared with $825.1 million and $636.5 million in FY 2007, respectively. The fund expended $1.7 billion during the year, compared with $1.5 billion in FY 2007. The fund balance decreased by $344.5 million from FY 2007 to FY 2008. This decrease was caused principally by the increase in expenditures to improve the State's road systems under the Major Moves initiative.

Property Tax Replacement Fund

The Property Tax Replacement Fund collects sales taxes and receives as transfers from other funds, sales, income, and gaming taxes. These are dedicated to tuition support and to property tax replacement distribution to local units of government. This is to relieve the property tax burden to the citizens. In FY 2008, the fund collected $2.1 billion in sales taxes, as compared to $2.7 billion in FY 2007. This decrease was due to the reallocation of sales tax revenues from this fund to the General Fund per legislation.

The fund received transfers in of $713.6 million for income taxes and $522.2 million in reimbursement for tuition support in the General Fund. This compares to FY 2007 tax transfers of $695.0 and $73.0 million, respectively, from the General Fund. The fund received transfers in of $582.9 million from the State Gaming Fund, as compared to $625.0 million in FY 2007. The fund also received transfers in of $32.6 million in sales taxes collected in the Tax Collection Fund.

The fund has a total transfer out for the year of $1.9 billion. Out of this amount, the fund transferred out $1.7 billion to the General Fund for tuition support per legislation. $80.4 million was transferred to the Build Indiana Fund, in contrast to FY 2007 when $94.7 million was transferred. The change in fund balance from FY 2007 to FY 2008 was a decline of $119.1 million. This was caused principally by the transferring of the balance of this fund to close out the fund as of June 30, 2008.

Tobacco Settlement Fund

The Tobacco Settlement Fund is used to receive and distribute revenue from the Tobacco Master Settlement Agreement entered into on November 23, 1998, by the State and leading United States tobacco product manufacturers. During fiscal year 2008, the State collected $147.5 million from tobacco product manufacturers as compared to $124.9 million in FY 2007.

The State expended $13.8 million to fund operating and capital expenses associated with community health centers. $12.1 million was spent for land and buildings at State hospitals. $3.0 million was spent for the Indiana Local Health Department Trust Account for distribution to the counties, $3.5 million for advertising, and $0.7 million for management consultants. Transfers out of the Fund were $87.2 million as compared to $134.9 million in FY 2007.

The change in fund balance from FY 2007 to FY 2008 was an increase of $13.2 million, caused principally by the increase in tobacco settlement receipts.

General Fund Budgetary Highlights

Actual State General Fund revenue collections for FY 2008 were 2.4% higher than FY 2007 collections. The budget enacted in May 2007 appropriated 4.8% more General Fund dollars for FY 2008 over FY 2007, and 3.4% more for FY 2009 over FY 2008. Administrative actions taken by Governor Daniels reduced actual expenditure growth to just 3.9% in FY 2008 over FY 2007, enabling the State to close the books with a balanced budget for the third consecutive year. Expenditure growth has averaged 2.8% over the past four years in comparison to growth of nearly 5.9% between FY 1996 and FY 2004.

At year-end, the State had $1.4 billion in reserves. The reserves consist of $57.6 million in Medicaid Reserves, $400.0 million in Tuition Support Reserves, $363.0 million in the Rainy Day Fund, and $592.6 million in General Fund working balance. At the close of FY 2008, only $31.1 million of payment delays to public universities remained. These dollars are to be released in FY 2009 after Budget Committee approval.

Capital Asset and Debt Administration

Capital Assets

Capital assets were $10.7 billion, which was 44.0% of total assets for the primary government. Related debt was $1.3 billion. Total capital assets net of related debt for the primary government was $9.4 billion. Related debt was 12.0% of capital assets. Total capital assets increased by $621.6 million or 6.2% and is mainly attributable to increases in the Indiana Department of Transportation's land, infrastructure, and construction in progress. INDOT's capital assets increase of $606.1 million accounted for over 97% of the total increase in capital assets. Construction in progress consisting of right of way and work in progress increased $388.5 million, infrastructure consisting of interstate roads, non-interstate roads, and bridges increased $157.9 million, and land increased by $59.7 million. More detailed information about the State's capital assets is presented in Note IV(D) to the Financial Statements.

The following table shows the percentage change from fiscal year 2007 to fiscal year 2008.

State of Indiana
Capital Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2008	2007	2008	2007	2008	2007	
Land	$ 1,316.5	$ 1,254.2	$ -	$ -	$ 1,316.5	$ 1,254.2	5.0%
Infrastructure	7,762.9	7,605.0	-	-	7,762.9	7,605.0	2.1%
Construction in Progress	724.0	316.7	3.1	-	727.1	316.7	129.6%
Property, plant and equipment	1,843.0	1,820.7	22.8	22.7	1,865.8	1,843.4	1.2%
Less accumulated depreciation	(985.1)	(956.9)	(12.2)	(11.6)	(997.3)	(968.5)	3.0%
Total	**$ 10,661.3**	**$ 10,039.7**	**$ 13.7**	**$ 11.1**	**$ 10,675.0**	**$ 10,050.8**	**6.2%**

Long-term Obligations

Major long-term obligations items are included in the following table. These items comprised 100% of total long-term liabilities and 30.9% of total liabilities.

The following table shows the percentage change from fiscal year 2007 to fiscal year 2008.

State of Indiana
Long-term Liabilities
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2008	2007	2008	2007	2008	2007	
Accrued liability for compensated absences	$ 67.9	$ 58.9	$ 0.2	$ 0.2	$ 68.1	$ 59.1	15.2%
Intergovernmental payable	60.0	70.0	-	-	60.0	70.0	-14.3%
Capital lease payable	1,280.4	1,297.1	-	-	1,280.4	1,297.1	-1.3%
Claims payable	-	-	47.0	50.0	47.0	50.0	-6.0%
Net pension obligations	10.8	8.1	-	-	10.8	8.1	33.3%
Other postemployment benefits	35.7	-	-	-	35.7	-	N/A
Due to component units	50.0	81.0	-	-	50.0	81.0	-38.3%
Total	**$ 1,504.8**	**$ 1,515.1**	**$ 47.2**	**$ 50.2**	**$ 1,552.0**	**$ 1,565.3**	**-0.8%**

Total long-term liabilities decreased by 0.8% or $13.3 million. Significant decreases were in intergovernmental payables of $10.0 million, capital leases payable of $16.7 million, and due to component units of $31.0 million.

The decrease in due to component units is from the extinguishment of payment delays to the colleges and universities.

The decrease in capital leases payable is made up in large part from a decrease of $13.1 million in the direct financing lease with the Highway Revenue Bonds Fund of the Indiana Finance Authority. We had other capital leases that decreased by $3.6 million.

The $10.0 million decrease in intergovernmental payables resulted from a distribution for infrastructure projects under the Major Moves Construction Fund.

Significant increases in long-term liabilities were for compensated absences totaling $9.0 million and for other postemployment benefits of $35.7 million. Due to the implementation of GASB 45, we are reporting for the first time a long-term liability for other postemployment benefits.

Claims payable for business activities decreased by $3.0 million. This was the amount of decrease in claims payable for the Indiana Residual Malpractice Insurance Authority.

More detailed information about the State's long term obligations is presented in Note IV(F) to the Financial Statements.

Infrastructure

As required by GASB Statement No. 34, the State has capitalized its infrastructure. This amounts to $7.7 billion in roads and bridges using the modified approach, $1.1 billion in right of way classified as land, and $14.6 million in dams being depreciated. In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved

approximately at or above the established condition level.

Under the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 27,739 lane miles of roads and approximately 5,222 bridges that the State is responsible to maintain.

The State has consistently maintained the assessed conditions of roads over the past eight years. It is the State's policy to maintain Interstate and National Highway System (NHS) Non-Interstate roads at an average Pavement Quality Index (PQI) of 75 and Non-NHS roads at an average PQI of 65. The most recent condition assessment, completed for FY 2008, indicated that the average PQI for roads exceeded the minimum acceptable standard.

The State has maintained the assessed conditions of bridges at levels which are above the established benchmarks. It is the State's policy to maintain Interstate bridges at an average sufficiency rating of 87%, NHS Non-Interstate bridges at an average sufficiency rating of 85%, and Non-NHS bridges at an average sufficiency rating of 83%. The most recent condition assessment, completed in FY 2008, indicated that the average sufficiency rating for bridges exceeded the minimum acceptable standard.

The total actual maintenance and preservation costs for infrastructure presented as required supplementary information were higher than their plan 'needed' as INDOT realized increased funding from all sources for projects during the year. However, the lone category where actual maintenance and preservation costs were lower than the plan 'needed' was for NHS and NON-NHS Roads - Non - Interstate. This was because the plan 'needed' amount is an estimate while the actual costs reflect unforeseen savings and delays.

Economic Factors

The forecast upon which the FY 2008 state budget was based was updated in April 2007. The April 2007 updated forecast projected real Gross Domestic Product (GDP) to increase by 2.5% in FY 2008. The U.S. Bureau of Economic Analysis currently estimates that real GDP increased by 2.4% in FY 2008. The April 2007 updated forecast projects real GDP growth of 2.9% in FY 2009.

The April 2007 updated forecast projected that Indiana non-farm personal income would increase by 4.3% in FY 2008. The U.S. Bureau of Economic Analysis currently estimates that Indiana non-farm personal income increased by 3.9% in FY 2008. The April 2007 updated forecast projects that Indiana non-farm personal income will increase by 4.6% in FY 2009.

Contacting the Auditor of State

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Auditor of State, Room 240 State House, 200 West Washington Street, Indianapolis, Indiana 46204-2793, telephone (317) 232-3300.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE

FINANCIAL STATEMENTS

State of Indiana
Statement of Net Assets
June 30, 2008
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 7,452,010	$ 293,275	**$ 7,745,285**	$ 3,343,249
Securities lending collateral	2,437,137	-	**2,437,137**	548,956
Receivables (net)	2,148,038	39,682	**2,187,720**	666,811
Inventory	5,802	608	**6,410**	14,690
Prepaid expenses	3,956	45	**4,001**	22,153
Loans	57,146	-	**57,146**	-
Intergovernmental loans	-	-	**-**	1,068,689
Due from primary government	-	-	**-**	34,561
Due from component unit	36,088	-	**36,088**	-
Investment in direct financing lease	-	-	**-**	53,090
Funds held in trust by others	-	-	**-**	18,159
Other postemployment benefits	-	-	**-**	6,303
Other current assets	-	-	**-**	60,744
Total current assets	12,140,177	333,610	**12,473,787**	5,837,405
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	-	**-**	2,478,638
Taxes, interest, and penalties receivable	445,194	-	**445,194**	4,722
Other receivables	13,325	-	**13,325**	5,371,790
Investments - unrestricted	-	-	**-**	4,381,770
Loans	474,894	-	**474,894**	22
Bond issuance costs net of amortization	-	-	**-**	48,570
Intergovernmental loans	-	-	**-**	1,736,315
Due from primary government	-	-	**-**	50,000
Investment in direct financing lease	-	-	**-**	1,447,101
Net pension assets	181,362	-	**181,362**	-
Other postemployment benefits	-	-	**-**	1,191
Other noncurrent assets	5	-	**5**	74,607
Capital assets:				
Land	1,316,455	-	**1,316,455**	355,874
Infrastructure	7,762,926	-	**7,762,926**	534,442
Construction in progress	724,035	3,056	**727,091**	1,303,865
Property, plant, and equipment	1,842,960	22,802	**1,865,762**	8,902,719
Less accumulated depreciation	(985,093)	(12,185)	**(997,278)**	(3,826,555)
Total capital assets, net of depreciation	10,661,283	13,673	**10,674,956**	7,270,345
Total noncurrent assets	11,776,063	13,673	**11,789,736**	22,865,071
Total assets	**23,916,240**	**347,283**	**24,263,523**	**28,702,476**
Liabilities:				
Current liabilities:				
Accounts payable	527,010	587	**527,597**	409,027
Claims payable	-	2,737	**2,737**	11,109
Interest payable	-	-	**-**	150,402
Current portion of long-term debt	-	-	**-**	1,658,051
Line of credit	-	-	**-**	478,475
Intergovernmental payable	152,957	-	**152,957**	-
Due to primary government	-	-	**-**	36,088
Due to component unit	34,561	-	**34,561**	-
Capital lease payable	41,153	-	**41,153**	1,561
Accrued prize liability	-	-	**-**	62,585
Salaries, health, disability, and benefits payable	129,965	452	**130,417**	31,163
Tax refunds payable	45,497	-	**45,497**	-
Deferred revenue	11,141	6,437	**17,578**	299,806
Accrued liability for compensated absences	80,522	186	**80,708**	62,230
Other postemployment benefits	-	-	**-**	5,563
Securities lending payable	4,457	-	**4,457**	-
Securities lending collateral	2,437,137	-	**2,437,137**	548,956
Deposits held in custody for others	-	-	**-**	58,937
Other current liabilities	41	418	**459**	63,534
Total current liabilities	3,464,441	10,817	**3,475,258**	3,877,487

State of Indiana
Statement of Net Assets
June 30, 2008
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Long-term liabilities:				
Accrued liability for compensated absences	$ 67,863	$ 237	**$ 68,100**	$ 56,605
Claims payable	-	46,974	**46,974**	-
Intergovernmental payable	60,000	-	**60,000**	-
Accrued prize liability	-	-	**-**	80,630
Internal balances	-	-	**-**	-
Net pension obligations	10,833	-	**10,833**	-
Other postemployment benefits	35,745	-	**35,745**	7,834
Due to component unit	50,000	-	**50,000**	-
Deferred revenue	-	-	**-**	3,709,235
Capital lease payable	1,280,440	-	**1,280,440**	9,083
Funds held in trust for others	-	-	**-**	160,067
Advances from federal government	-	-	**-**	35,517
Revenue bonds/notes payable	-	-	**-**	12,135,832
Other noncurrent liabilities	-	-	**-**	60,062
Total long-term liabilities	1,504,881	47,211	**1,552,092**	16,254,865
Total liabilities	**4,969,322**	**58,028**	**5,027,350**	**20,132,352**
Net Assets:				
Invested in capital assets net of related debt	9,339,690	13,673	**9,353,363**	3,049,564
Restricted-nonexpendable:				
Grants/constitutional restrictions	-	-	**-**	2,974
Permanent funds	555,950	-	**555,950**	-
Future debt service	-	-	**-**	118,515
Instruction and research	-	-	**-**	198,481
Student aid	-	-	**-**	155,770
Other purposes	-	-	**-**	114,810
Total restricted-nonexpendable	555,950	-	**555,950**	590,550
Restricted-expendable:				
Instruction and research	-	-	**-**	430,105
Grants/constitutional restrictions	163,841	-	**163,841**	11,106
Endowments	-	-	**-**	510,015
Future debt service	-	-	**-**	249,365
Pension fund distribution	-	-	**-**	14,617
Public safety programs	-	-	**-**	7,016
Student aid	-	-	**-**	719,477
Auxiliary enterprises	-	-	**-**	8,076
Capital projects	-	-	**-**	406,943
Repairs and rehabilitation	-	-	**-**	806
Water pollution and drinking water projects	-	-	**-**	894,366
Unemployment compensation	-	265,013	**265,013**	-
Unrealized gains	-	-	**-**	96,329
Other purposes	-	-	**-**	20,995
Total restricted-expendable	163,841	265,013	**428,854**	3,369,216
Unrestricted	8,887,437	10,569	**8,898,006**	1,560,794
Total net assets	**$ 18,946,918**	**$ 289,255**	**$ 19,236,173**	**$ 8,570,124**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Activities
For the Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary government:								
Governmental activities:								
General government	$ 5,172,003	$ 838,962	$ 449,239	$ 199	$ (3,883,603)	$ -	$ (3,883,603)	$ -
Public safety	1,384,954	461,330	182,686	26,637	(714,301)	-	(714,301)	-
Health	387,349	15,030	230,544	46	(141,729)	-	(141,729)	-
Welfare	9,158,302	180,314	6,481,086	-	(2,496,902)	-	(2,496,902)	-
Conservation, culture and development	590,073	146,441	273,986	-	(169,646)	-	(169,646)	-
Education	7,369,686	3,987	849,987	-	(6,515,712)	-	(6,515,712)	-
Transportation	1,309,247	38,142	941,228	-	(329,877)	-	(329,877)	-
Unallocated interest expense	724	-	-	-	(724)	-	(724)	-
Total governmental activities	25,372,338	1,684,206	9,408,756	26,882	(14,252,494)	-	(14,252,494)	-
Business-type activities:								
Unemployment Compensation Fund	845,956	617,737	134,559	-	-	(93,660)	(93,660)	-
Other	24,480	28,590	-	-	-	4,110	4,110	-
Total business-type activities	870,436	646,327	134,559	-	-	(89,550)	(89,550)	-
Total primary government	$ 26,242,774	$ 2,330,533	$ 9,543,315	$ 26,882	(14,252,494)	(89,550)	(14,342,044)	-
Component units:								
Proprietary	1,870,055	1,451,797	568,389	101,038	-	-	-	251,169
Colleges and universities	5,357,146	2,632,371	1,111,225	114,903	-	-	-	(1,498,647)
Total component units	$ 7,227,201	$ 4,084,168	$ 1,679,614	$ 215,941	-	-	-	(1,247,478)
		General Revenues:						
		Income tax			5,838,675	-	5,838,675	-
		Sales tax			5,873,260	-	5,873,260	-
		Fuels tax			676,144	-	676,144	-
		Gaming tax			826,359	-	826,359	-
		Inheritance tax			166,094	-	166,094	-
		Alcohol & tobacco tax			556,498	-	556,498	-
		Insurance tax			203,110	-	203,110	-
		Financial institutions tax			37,419	-	37,419	-
		Other tax			582,618	-	582,618	-
		Total taxes			14,760,177	-	14,760,177	-
		Revenue not restricted to specific programs						
		Investment earnings			239,372	21,625	260,997	137,915
		Payments from State of Indiana			-	-	-	1,430,252
		Other			76,199	-	76,199	342,975
		Transfers within primary government			(3,699)	3,699	-	-
		Total general revenues and transfers			15,072,049	25,324	15,097,373	1,911,142
		Changes in net assets			819,555	(64,226)	755,329	663,664
		Net assets - beginning, as restated			18,127,363	353,481	18,480,844	7,906,460
		Net assets - ending			$ 18,946,918	$ 289,255	$ 19,236,173	$ 8,570,124

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

State of Indiana
Balance Sheet
Governmental Funds
June 30, 2008
(amounts expressed in thousands)

	General Fund	Motor Vehicle Highway Fund	Medicaid Assistance Fund	Major Moves Construction Fund
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 1,751,004	$ -	$ 70,883	$ 2,574,242
Securities lending collateral	1,570,046	-	-	309,347
Receivables:				
Taxes (net of allowance for uncollectible accounts)	1,830,245	23,089	-	-
Securities lending	3,075	-	-	484
Accounts	15,853	-	5,699	-
Grants	2,979	71	169,416	-
Interest	5,143	-	-	-
Interfund loans	150,989	63,277	-	-
Due from component unit	313	-	-	-
Prepaid expenditures	474	15	-	-
Loans	18,698	-	-	-
Total assets	$ 5,348,819	$ 86,452	$ 245,998	$ 2,884,073
Liabilities:				
Accounts payable	$ 62,737	$ 2,898	$ 249,419	$ -
Salaries and benefits payable	42,068	6,641	-	-
Interfund loans	-	12,405	-	-
Interfund services used	3,102	2,656	-	-
Intergovernmental payable	60,838	25,517	-	-
Due to component unit	-	-	-	-
Tax refunds payable	39,764	-	-	-
Deferred revenue	690,520	12,943	-	-
Accrued liability for compensated absences-current	2,764	69	-	-
Securities lending payable	3,075	-	-	484
Securities lending collateral	1,570,046	-	-	309,347
Total liabilities	2,474,914	63,129	249,419	309,831
Fund balance:				
Reserved:				
Encumbrances	44,737	4,754	-	-
Special purposes	-	-	-	-
Tuition support	400,000	-	-	-
Interfund loans	150,989	63,277	-	-
Long-term loans and advances	18,156	-	-	-
Restricted purposes	2,979	71	1,695	-
Unreserved:				
Unreserved fund balance reported in:				
General fund	2,257,044	-	-	-
Special revenue funds	-	(44,779)	(5,116)	2,574,242
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total fund balances	2,873,905	23,323	(3,421)	2,574,242
Total liabilities and fund balances	$ 5,348,819	$ 86,452	$ 245,998	$ 2,884,073

The notes to the financial statements are an integral part of this statement.

State Highway Department Fund	Property Tax Replacement Fund	Tobacco Settlement Fund	Non-major Governmental Funds	Total
$ 162,656	$ -	$ 148,972	$ 2,616,015	**$ 7,323,772**
5,500	-	33,000	519,244	**2,437,137**
-	-	-	185,471	**2,038,805**
7	-	45	846	**4,457**
692	-	-	38,354	**60,598**
32,608	-	-	171,337	**376,411**
10	-	21	1,730	**6,904**
-	-	-	-	**214,266**
-	-	-	35,775	**36,088**
-	-	-	25	**514**
7,586	-	-	505,756	**532,040**
$ 209,059	$ -	$ 182,038	$ 4,074,553	**$ 13,030,992**
$ 17,842	$ -	$ 1,962	127,055	**$ 461,913**
10,099	-	57	31,191	**90,056**
-	-	-	201,861	**214,266**
782	-	4	4,758	**11,302**
-	-	-	56,602	**142,957**
-	-	-	3,533	**3,533**
-	-	-	5,733	**45,497**
692	-	-	67,549	**771,704**
757	-	3	2,077	**5,670**
7	-	45	846	**4,457**
5,500	-	33,000	519,244	**2,437,137**
35,679	-	35,071	1,020,449	**4,188,492**
1,357,633	-	14,527	186,617	**1,608,268**
-	-	-	4,336	**4,336**
-	-	-	-	**400,000**
-	-	-	-	**214,266**
6,686	-	-	485,182	**510,024**
32,608	-	-	126,488	**163,841**
-	-	-	-	**2,257,044**
(1,223,547)	-	132,440	1,543,827	**2,977,067**
-	-	-	78,953	**78,953**
-	-	-	628,701	**628,701**
173,380	-	146,967	3,054,104	**8,842,500**
$ 209,059	$ -	$ 182,038	$ 4,074,553	**$ 13,030,992**

State of Indiana
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008
(amounts expressed in thousands)

Total fund balances-governmental funds			$	8,842,500
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:				
Land	$	1,316,455		
Infrastructure assets		7,762,926		
Construction in progress		724,010		
Property, plant, and equipment		1,795,651		
Accumulated depreciation		(959,431)		
Total capital assets, net of depreciation				10,639,611
The State's pension funds have net pension assets not reported as assets in the funds.				181,362
Some of the state's receivables will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.				
Taxes receivable	$	760,564		
Accounts receivable		111,694		
				872,258
Some liabilities reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.				
Accounts payable	$	(124,463)		
Salaries, health, disability and benefits payable		(1,219)		
Due to component unit		(31,028)		
				(156,710)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.				116,125
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:				
Accrued liability for compensated absences		(139,013)		
Other postemployment benefits		(35,745)		
Loan from the Indiana Board for Depositories		(50,000)		
Capital lease payable		(1,312,637)		
Net pension obligations		(10,833)		
Total long-term liabilities				(1,548,228)
Net assets of governmental activities			$	18,946,918

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	General Fund	Motor Vehicle Highway Fund	Medicaid Assistance Fund	Major Moves Construction Fund
Revenues:				
Taxes:				
Income	$ 5,728,520	$ -	$ -	$ -
Sales	3,653,894	-	-	-
Fuels	-	311,886	-	-
Gaming	83,766	-	-	-
Inheritance	166,095	-	-	-
Alcohol and tobacco	345,478	-	-	-
Insurance	200,626	-	-	-
Financial Institutions	-	-	-	-
Other	212,776	173,846	-	-
Total taxes	10,391,155	485,732	-	-
Current service charges	195,981	134,977	123,594	-
Investment income	239,128	-	86	133,294
Sales/rents	3,710	5	-	-
Grants	10,406	12,593	4,122,329	-
Other	72,489	35,152	554,292	-
Total revenues	10,912,869	668,459	4,800,301	133,294
Expenditures:				
Current:				
General government	1,526,935	369,400	-	-
Public safety	682,091	230,705	-	-
Health	93,455	41	-	-
Welfare	284,049	-	6,536,774	-
Conservation, culture and development	87,121	-	-	-
Education	6,288,452	260	-	-
Transportation	1,509	833	-	88,291
Total expenditures	8,963,612	601,239	6,536,774	88,291
Excess (deficiency) of revenues over expenditures	1,949,257	67,220	(1,736,473)	45,003
Other financing sources (uses):				
Transfers in	2,710,985	272,320	1,925,968	1,304
Transfers (out)	(4,169,456)	(353,980)	(151,851)	(175,000)
Proceeds from capital lease	228	69	-	-
Total other financing sources (uses)	(1,458,243)	(81,591)	1,774,117	(173,696)
Net change in fund balances	491,014	(14,371)	37,644	(128,693)
Fund Balance July 1, as restated	2,382,891	37,694	(41,065)	2,702,935
Fund Balance June 30	**$ 2,873,905**	**$ 23,323**	**$ (3,421)**	**$ 2,574,242**

The notes to the financial statements are an integral part of this statement.

State Highway Department Fund	Property Tax Replacement Fund	Tobacco Settlement Fund	Non-Major Governmental Funds	Total
$ -	$ -	$ -	$ 112,950	**$ 5,841,470**
-	2,060,875	-	138,813	**5,853,582**
-	-	-	359,278	**671,164**
-	-	-	742,574	**826,340**
-	-	-	-	**166,095**
-	-	-	211,326	**556,804**
-	-	-	2,484	**203,110**
-	-	-	38,777	**38,777**
-	-	-	193,365	**579,987**
-	2,060,875	-	1,799,567	**14,737,329**
5,400	-	147,475	1,107,585	**1,715,012**
569	-	6,486	69,796	**449,359**
1,532	-	-	17,947	**23,194**
667,939	-	-	3,273,947	**8,087,214**
85,766	-	225	442,899	**1,190,823**
761,206	2,060,875	154,186	6,711,741	**26,202,931**
180	2,088,998	20,050	1,178,728	**5,184,291**
-	-	-	474,600	**1,387,396**
-	-	34,297	261,506	**389,299**
-	-	1,091	2,337,472	**9,159,386**
-	-	111	504,464	**591,696**
-	-	-	1,112,213	**7,400,925**
1,693,484	-	-	247,733	**2,031,850**
1,693,664	2,088,998	55,549	6,116,716	**26,144,843**
(932,458)	(28,123)	98,637	595,025	**58,088**
591,143	1,854,445	1,771	2,088,703	**9,446,639**
(29,532)	(1,945,486)	(87,205)	(2,526,578)	**(9,439,088)**
26,315	-	-	108	**26,720**
587,926	(91,041)	(85,434)	(437,767)	**34,271**
(344,532)	(119,164)	13,203	157,258	**92,359**
517,912	119,164	133,764	2,896,846	**8,750,141**
$ 173,380	**$ -**	**$ 146,967**	**$ 3,054,104**	**$ 8,842,500**

State of Indiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008
(amounts expressed in thousands)

Net change in fund balances-total governmental funds	$	92,359
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report net capital outlays for infrastructure as expenditures. However in the statement of activities these outlays are capitalized and under the modified approach not depreciated. This is the amount of the net capital outlays for infrastructure under the modified approach in the current period.		606,123
Governmental funds report net capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays ($72,513) exceeds depreciation ($59,307) in the current period.		13,206
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenue		23,402
Non-tax revenue		(30,754)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.		
Operating expenses		12,192
Statutory expenses		85,000
Amounts due to component units		9,877
Payment delays to colleges and universities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		31,132
The change in net pension assets and net pension obligations do not provide or require the use of current financial resources:		
Decrease in net pension assets		(24,323)
Decrease in net pension obligations		(507)
The change in other postemployment benefits do not provide or require the use of current financial resources.		(35,745)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, data processing, telecommunications, fleet management, and printing, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		37,593
Change in net assets of governmental activities.	$	819,555

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Fund Net Assets
Proprietary Funds
June 30, 2008
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Assets				
Current assets:				
Cash, cash equivalents and investments - unrestricted	$ 226,976	$ 66,299	**$ 293,275**	$ 128,239
Receivables:				
Accounts	32,519	946	**33,465**	7,689
Interest	-	688	**688**	-
Grants	5,529	-	**5,529**	-
Interfund services provided	-	-	**-**	11,302
Inventory	-	608	**608**	5,802
Prepaid expenses	-	45	**45**	3,956
Total current assets	265,024	68,586	**333,610**	156,988
Noncurrent assets:				
Capital assets:				
Construction in progress	-	3,056	**3,056**	25
Property, plant, and equipment	-	22,802	**22,802**	47,309
Less accumulated depreciation	-	(12,185)	**(12,185)**	(25,662)
Total capital assets, net of depreciation	-	13,673	**13,673**	21,672
Other assets	-	-	**-**	5
Total noncurrent assets	-	13,673	**13,673**	21,677
Total assets	**265,024**	**82,259**	**347,283**	**178,665**
Liabilities				
Current liabilities:				
Accounts payable	11	576	**587**	10,635
Claims payable	-	2,737	**2,737**	-
Salaries and benefits payable	-	452	**452**	1,388
Capital lease payable	-	-	**-**	466
Health/disability benefits payable	-	-	**-**	37,302
Accrued liability for compensated absences	-	186	**186**	1,942
Deferred revenue	-	6,437	**6,437**	516
Other liabilities	-	418	**418**	41
Total current liabilities	11	10,806	**10,817**	52,290
Noncurrent liabilities:				
Accrued liability for compensated absences	-	237	**237**	1,760
Capital lease payable	-	-	**-**	8,490
Claims payable	-	46,974	**46,974**	-
Total noncurrent liabilites	-	47,211	**47,211**	10,250
Total liabilities	**11**	**58,017**	**58,028**	**62,540**
Net assets				
Invested in capital assets net of related debt	-	13,673	**13,673**	12,716
Restricted-expendable:				
Unemployment compensation	265,013	-	**265,013**	-
Unrestricted	-	10,569	**10,569**	103,409
Total net assets	**$ 265,013**	**$ 24,242**	**$ 289,255**	**$ 116,125**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:				
Sales/rents/premiums	$ -	$ 28,347	**$ 28,347**	$ 483,015
Employer contributions	617,737	-	**617,737**	-
Charges for services	-	-	**-**	1,392
Other	-	243	**243**	425
Total operating revenues	617,737	28,590	**646,327**	484,832
Cost of sales	-	4,013	**4,013**	35,648
Gross margin	617,737	24,577	**642,314**	449,184
Operating expenses:				
General and administrative expense	10,787	19,235	**30,022**	121,318
Claims expense	-	465	**465**	-
Health / disability benefit payments	-	-	**-**	272,537
Unemployment compensation benefits	835,169	-	**835,169**	-
Depreciation and amortization	-	582	**582**	5,744
Other	-	185	**185**	-
Total operating expenses	845,956	20,467	**866,423**	399,599
Operating income (loss)	(228,219)	4,110	**(224,109)**	49,585
Nonoperating revenues (expenses):				
Interest and other investment income	16,481	5,144	**21,625**	3
Interest and other investment expense	-	-	**-**	(724)
Gain (Loss) on disposition of assets	-	-	**-**	516
Other	134,559	-	**134,559**	(2,853)
Total nonoperating revenues (expenses)	151,040	5,144	**156,184**	(3,058)
Income before contributions and transfers	(77,179)	9,254	**(67,925)**	46,527
Capital contributions	-	-	**-**	2,316
Transfers in	-	3,699	**3,699**	2,880
Transfers (out)	-	-	**-**	(14,130)
Change in net assets	(77,179)	12,953	**(64,226)**	37,593
Total net assets, July 1, as restated	**342,192**	**11,289**	**353,481**	**78,532**
Total net assets, June 30	**$ 265,013**	**$ 24,242**	**$ 289,255**	**$ 116,125**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 619,004	$ 27,727	**$ 646,731**	$ 483,956
Cash paid for general and administrative	(10,787)	(19,522)	**(30,309)**	(120,670)
Cash paid for salary/health/disability benefit payments	-	-	**-**	(259,125)
Cash paid to suppliers	-	(4,031)	**(4,031)**	(33,368)
Cash paid for claims expense	(835,176)	(3,184)	**(838,360)**	-
Net cash provided (used) by operating activities	(226,959)	990	**(225,969)**	70,793
Cash flows from noncapital financing activities:				
Transfers in	-	-	**-**	2,880
Transfers out	-	-	**-**	(14,130)
Other	133,967	-	**133,967**	(1,332)
Net cash provided (used) by noncapital financing activities	133,967	-	**133,967**	(12,582)
Cash flows from capital and related financing activities:				
Acquisition/construction of capital assets	-	(3,150)	**(3,150)**	(5,787)
Proceeds from sale of assets	-	-	**-**	961
Principal payments -- capital leases	-	-	**-**	(466)
Capital contributions	-	3,699	**3,699**	-
Interest paid	-	-	**-**	(724)
Net cash provided (used) by capital and related financing activities	-	549	**549**	(6,016)
Cash flows from investing activities:				
Proceeds from sales of investments	-	9,402	**9,402**	-
Purchase of investments	-	(12,555)	**(12,555)**	-
Interest income (expense) on investments	16,481	2,351	**18,832**	3
Net cash provided (used) by investing activities	16,481	(802)	**15,679**	3
Net increase (decrease) in cash and cash equivalents	(76,511)	737	**(75,774)**	52,198
Cash and cash equivalents, July 1, as restated	303,487	5,722	**309,209**	76,041
Cash and cash equivalents, June 30	**$ 226,976**	**$ 6,459**	**$ 233,435**	**$ 128,239**
Reconciliation of cash , cash equivalents and investments:				
Cash and cash equivalents unrestricted at end of year	$ 226,976	$ 6,459	**$ 233,435**	$ 128,239
Cash and cash equivalents restricted at end of year	-	-	**-**	-
Investments unrestricted	-	59,840	**59,840**	-
Cash, cash equivalents and investments per balance sheet	**$ 226,976**	**$ 66,299**	**$ 293,275**	**$ 128,239**
Noncash investing, capital and financing activities:				
Increase in fair value of investments	$ -	$ 2,796	**$ 2,796**	$ -

State of Indiana
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

(amounts expressed in thousands)

	Unemployment Compensation Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	$ (228,219)	$ 4,110	**$ (224,109)**	$ 49,585
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	582	**582**	5,744
(Increase) decrease in receivables	1,267	(518)	**749**	1,237
(Increase) decrease in interfund services provided	-	-	**-**	(1,234)
(Increase) decrease in inventory	-	(18)	**(18)**	1,228
(Increase) decrease in prepaid expenses	-	(14)	**(14)**	383
(Increase) decrease in claims payable	-	(2,719)	**(2,719)**	-
Increase (decrease) in health and disability benefits payable	-	-	**-**	12,769
Increase (decrease) in accounts payable	(7)	59	**52**	1,364
Increase (decrease) in deferred revenue	-	(363)	**(363)**	(880)
Increase (decrease) in salaries payable	-	54	**54**	226
Increase (decrease) in compensated absences	-	17	**17**	331
Increase (decrease) in other payables	-	(200)	**(200)**	40
Net cash provided (used) by operating activities	**$ (226,959)**	**$ 990**	**$ (225,969)**	**$ 70,793**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(amounts expressed in thousands)

	Pension Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund	Agency Funds
Assets:				
Cash, cash equivalents and non-pension investments	$ 1,584,512	$ 44,453	$ -	$ 517,564
Securities lending collateral	3,254,263	9,435	2,204	100,750
Receivables:				
Taxes	-	-	-	16,754
Contributions	209,829	-	-	-
Interest	75,471	6	366	-
Securities lending	-	11	5	188
Member loans	3,236	-	-	-
Due from other funds	19,454	-	-	-
Due from component unit	3,498	-	-	-
From investment sales	2,652,699	-	-	-
Other	-	-	-	74
Pension and other employee benefit investments at fair value:				
Equity Securities	11,328,897	-	-	-
Debt Securities	6,492,722	-	-	-
Mutual Funds	3,532,686	-	-	-
Other	1,684,076	-	-	-
Total investments	23,038,382	-	-	-
Pool Investments at Amortized Cost:				
Cash and cash equivalents	-	-	98,480	-
Money Market Mutual Funds	-	-	47,256	-
U.S. Government Agencies	-	-	17,223	-
Commercial Paper	-	-	27,879	-
Total investments	-	-	190,838	-
Other assets	-	-	-	152,505
Property, plant and equipment net of accumulated depreciation	2,927	-	-	-
Total assets	**30,844,271**	**53,905**	**193,413**	**787,835**
Liabilities:				
Accounts/escrows payable	18,668	6,371	-	622,224
Securities purchased payable	2,885,502	-	-	-
Salaries and benefits payable	867	-	-	-
Management fee payable	-	-	23	-
Due to other funds	19,454	-	-	-
Securities lending payable	-	11	4	188
Distributions payable	-	-	12	-
Due to component unit	3,498	-	-	-
Compensated absences	374	-	-	-
Securities lending collateral	3,254,263	9,435	2,204	100,750
Other	159	-	16	64,673
Total liabilities	**6,182,784**	**15,817**	**2,259**	**$ 787,835**
Net assets:				
Held in trust for:				
Employees' pension benefits	24,661,487	-	-	
Trust beneficiaries	-	38,088	-	
Local government investment pool participants	-	-	191,154	
Total net assets	**$ 24,661,487**	**$ 38,088**	**$ 191,154**	

The notes to the financial statements are an integral part of this statement.

State of Indiana
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Pension Trust Funds	Private-Purpose Trust Funds	Investment Trust Fund
Additions:			
Member contributions	$ 325,744	$ 83,110	$ 246,307
Employer contributions	1,246,003	-	-
Contributions from the State of Indiana	92,038	-	-
Net investment income (loss)	(1,521,423)	1,209	1,019
Less investment expense	(253,172)	-	(3)
Donations/escheats	-	77,374	-
Transfers in	9,607	-	-
Reinvestment of distributions	-	-	954
Other	405	-	-
Total additions	(100,798)	161,693	248,277
Deductions:			
Pension and disability benefits	1,550,706	-	-
Death benefits	1,008	-	-
Payments to participants/beneficiaries	-	159,427	967
Refunds of contributions and interest	60,440	-	56,107
Administrative	31,987	-	26
Pension relief distributions	134,948	-	-
Depreciation	9	-	-
Transfers out	9,608	-	-
Other	2,422	-	23
Total deductions	1,791,128	159,427	57,123
Net increase (decrease) in net assets	(1,891,926)	2,266	191,154
Net assets held in trust, July 1, as restated	26,553,413	35,822	-
Net assets held in trust, June 30	**$ 24,661,487**	**$ 38,088**	**$ 191,154**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2008
(amounts expressed in thousands)

	Proprietary	Colleges and Universities	Total
Assets:			
Current assets:			
Cash, cash equivalents and investments	$ 1,910,680	$ 1,432,569	**$ 3,343,249**
Securities lending collateral	149,787	399,169	**548,956**
Receivables (net)	324,674	342,137	**666,811**
Inventory	242	14,448	**14,690**
Prepaid expenses	5,321	16,832	**22,153**
Intergovernmental loans	1,068,689	-	**1,068,689**
Due from primary government	3,533	31,028	**34,561**
Investment in direct financing lease	53,090	-	**53,090**
Funds held in trust by others	-	18,159	**18,159**
Other postemployment benefits	-	6,303	**6,303**
Other current assets	5,397	55,347	**60,744**
Total current assets	3,521,413	2,315,992	**5,837,405**
Noncurrent assets:			
Cash, cash equivalents and investments - restricted	679,492	1,799,146	**2,478,638**
Taxes, interest, and penalties receivable	4,722	-	**4,722**
Other receivables	4,963,208	408,582	**5,371,790**
Investments - unrestricted	762,893	3,618,877	**4,381,770**
Loans	-	22	**22**
Bond issuance costs net of amortization	48,396	174	**48,570**
Intergovernmental loans	1,736,315	-	**1,736,315**
Due from primary government	50,000	-	**50,000**
Investment in direct financing lease	1,438,266	8,835	**1,447,101**
Other postemployment benefits	-	1,191	**1,191**
Other noncurrent assets	8,367	66,240	**74,607**
Capital assets:			
Land	165,465	190,409	**355,874**
Infrastructure	267,510	266,932	**534,442**
Construction in progress	850,429	453,436	**1,303,865**
Property, plant, and equipment	1,282,607	7,620,112	**8,902,719**
Less accumulated depreciation	(363,146)	(3,463,409)	**(3,826,555)**
Capital assets, net of accumulated depreciation	2,202,865	5,067,480	**7,270,345**
Total noncurrent assets	11,894,524	10,970,547	**22,865,071**
Total assets	**15,415,937**	**13,286,539**	**28,702,476**
Liabilities:			
Current liabilities:			
Accounts payable	91,417	317,610	**409,027**
Claims payable	11,109	-	**11,109**
Interest payable	147,584	2,818	**150,402**
Current portion of long-term debt	1,322,772	335,279	**1,658,051**
Line of credit	478,475	-	**478,475**
Due to primary government	36,088	-	**36,088**
Capital lease payable	-	1,561	**1,561**
Accrued prize liability	62,585	-	**62,585**
Salaries, health, disability, and benefits payable	94	31,069	**31,163**
Deferred revenue	86,058	213,748	**299,806**
Accrued liability for compensated absences	-	62,230	**62,230**
Other postemployment benefits	-	5,563	**5,563**
Securities lending collateral	149,787	399,169	**548,956**
Deposits held in custody for others	24,484	34,453	**58,937**
Other current liabilities	20,004	43,530	**63,534**
Total current liabilities	2,430,457	1,447,030	**3,877,487**
Long-term liabilities:			
Accrued liability for compensated absences	-	56,605	**56,605**
Accrued prize liability	80,630	-	**80,630**
Other postemployment benefits	-	7,834	**7,834**
Deferred revenue	3,657,947	51,288	**3,709,235**
Capital lease payable	-	9,083	**9,083**
Funds held in trust for others	-	160,067	**160,067**
Advances from federal government	6,643	28,874	**35,517**
Revenue bonds/notes payable	10,268,387	1,867,445	**12,135,832**
Other noncurrent liabilities	4,076	55,986	**60,062**
Total long-term liabilities	14,017,683	2,237,182	**16,254,865**
Total liabilities	**16,448,140**	**3,684,212**	**20,132,352**
Net Assets:			
Invested in capital assets net of related debt	154,886	2,894,678	**3,049,564**
Restricted-nonexpendable:			
Grants/constitutional restrictions	2,974	-	**2,974**
Future debt service	118,515	-	**118,515**
Instruction and research	-	198,481	**198,481**
Student aid	-	155,770	**155,770**
Other purposes	-	114,810	**114,810**
Total restricted-nonexpendable	121,489	469,061	**590,550**
Restricted-expendable:			
Instruction and research	-	430,105	**430,105**
Grants/constitutional restrictions	346	10,760	**11,106**
Endowments	-	510,015	**510,015**
Future debt service	224,829	24,536	**249,365**
Pension fund distribution	14,617	-	**14,617**
Public safety programs	-	7,016	**7,016**
Student aid	-	719,477	**719,477**
Auxiliary enterprises	-	8,076	**8,076**
Capital projects	155,241	251,702	**406,943**
Repairs and rehabilitation	-	806	**806**
Water pollution and drinking water projects	894,366	-	**894,366**
Unrealized gains	-	96,329	**96,329**
Other purposes	-	20,995	**20,995**
Total restricted-expendable	1,289,399	2,079,817	**3,369,216**
Unrestricted	(2,597,977)	4,158,771	**1,560,794**
Total net assets	**$ (1,032,203)**	**$ 9,602,327**	**$ 8,570,124**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Proprietary	Colleges and Universities	Net (Expense) Revenue
Proprietary	$ 1,870,055	$ 1,451,797	$ 568,389	$ 101,038	$ 251,169	$ -	$ 251,169
Colleges and universities	5,357,146	2,632,371	1,111,225	114,903	-	(1,498,647)	(1,498,647)
Total component units	$ 7,227,201	$ 4,084,168	$ 1,679,614	$ 215,941	251,169	(1,498,647)	(1,247,478)
General Revenues:							
Investment earnings					127,551	10,364	137,915
Payments from State of Indiana					1,157	1,429,095	1,430,252
Other					-	342,975	342,975
Total general revenues					128,708	1,782,434	1,911,142
Change in net assets					379,877	283,787	663,664
Net assets - beginning, as restated					(1,412,080)	9,318,540	7,906,460
Net assets - ending					$ (1,032,203)	$ 9,602,327	$ 8,570,124

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Proprietary Funds
June 30, 2008

(amounts expressed in thousands)

	Indiana Finance Authority	Indiana Bond Bank	Indiana Housing and Community Development Authority	Board for Depositories
Assets				
Current assets:				
Cash, cash equivalents and investments	$ 798,077	$ 59,756	$ 568,511	$ 170,723
Securities lending collateral	-	-	-	149,787
Receivables (net)	135,302	29,549	1,089	1,902
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Intergovernmental loans	-	1,068,689	-	-
Due from primary government	3,533	-	-	-
Investment in direct financing lease	53,090	-	-	-
Other current assets	70	-	5,296	-
Total current assets	990,072	1,157,994	574,896	322,412
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	42,331	546,790	-
Taxes, interest, and penalties receivable	-	-	4,722	-
Loans receivable	2,236,557	-	942,473	-
Investments - unrestricted	670,553	-	-	92,340
Bond issuance costs, net of amortization	15,454	22,721	10,221	-
Intergovernmental loans	-	1,736,315	-	-
Due from primary government	-	-	-	50,000
Investment in direct financing lease	1,438,266	-	-	-
Other noncurrent assets	151	-	-	6
Capital assets:				
Land	85,934	-	-	-
Infrastructure	267,510	-	-	-
Construction in progress	65,581	-	-	-
Property, plant, and equipment	1,226,766	-	2,387	200
Less accumulated depreciation	(343,040)	-	(1,836)	(166)
Total capital assets, net of depreciation	1,302,751	-	551	34
Total noncurrent assets	5,663,732	1,801,367	1,504,757	142,380
Total assets	**6,653,804**	**2,959,361**	**2,079,653**	**464,792**
Liabilities				
Current liabilities:				
Accounts payable	5,077	747	1,538	401
Claims payable	-	-	-	-
Interest payable	67,194	44,170	33,822	-
Current portion of long-term debt	213,452	1,089,490	19,830	-
Line of credit	-	-	478,475	-
Due to primary government	339	-	-	-
Accrued prize liability	-	-	-	-
Salaries, health, disability, and benefits payable	-	-	-	-
Deferred revenue	77,138	-	-	-
Securities lending collateral	-	-	-	149,787
Deposits held in custody for others	-	24,160	324	-
Other current liabilities	392	-	16,414	3
Total current liabilities	363,592	1,158,567	550,403	150,191
Long-term liabilities:				
Accrued prize liability	-	-	-	-
Deferred revenue	3,595,060	-	-	-
Advances from federal government	6,643	-	-	-
Revenue bonds/notes payable	4,588,693	1,785,115	1,330,518	-
Other noncurrent liabilities	-	494	35	-
Total long-term liabilities	8,190,396	1,785,609	1,330,553	-
Total liabilities	**8,553,988**	**2,944,176**	**1,880,956**	**150,191**
Net assets				
Invested in capital assets net of related debt	39,620	-	551	34
Restricted-nonexpendable				
Grants/constitutional restrictions	-	-	2,974	-
Future debt service	-	-	118,515	-
Total restricted-nonexpendable	-	-	121,489	-
Restricted-expendable				
Grants/constitutional restrictions	-	-	-	-
Future debt service	207,736	1,997	-	-
Pension fund distribution	-	-	-	14,617
Capital projects	-	-	-	-
Water pollution and drinking water projects	894,366	-	-	-
Total restricted-expendable	1,102,102	1,997	-	14,617
Unrestricted (deficit)	(3,041,906)	13,188	76,657	299,950
Total net assets	**$ (1,900,184)**	**$ 15,185**	**$ 198,697**	**$ 314,601**

The notes to the financial statements are an integral part of this statement.

Secondary Market for Education Loans	State Lottery Commission	Indiana Stadium and Convention Building Authority	Non-Major	Total Component Units
$ 88,313	$ 76,660	$ 128,370	$ 20,270	**$ 1,910,680**
-	-	-	-	**149,787**
120,963	33,138	16	2,715	**324,674**
-	230	-	12	**242**
-	5,216	-	105	**5,321**
-	-	-	-	**1,068,689**
-	-	-	-	**3,533**
-	-	-	-	**53,090**
31	-	-	-	**5,397**
209,307	115,244	128,386	23,102	**3,521,413**
-	90,221	-	150	**679,492**
-	-	-	-	**4,722**
1,784,178	-	-	-	**4,963,208**
-	-	-	-	**762,893**
-	-	-	-	**48,396**
-	-	-	-	**1,736,315**
-	-	-	-	**50,000**
-	-	-	-	**1,438,266**
8,210	-	-	-	**8,367**
-	-	-	79,531	**165,465**
-	-	-	-	**267,510**
-	-	784,848	-	**850,429**
3,033	8,059	-	42,162	**1,282,607**
(1,302)	(4,322)	-	(12,480)	**(363,146)**
1,731	3,737	784,848	109,213	**2,202,865**
1,794,119	93,958	784,848	109,363	**11,894,524**
2,003,426	**209,202**	**913,234**	**132,465**	**15,415,937**
4,827	22,309	56,227	291	**91,417**
-	-	-	11,109	**11,109**
1,423	-	975	-	**147,584**
-	-	-	-	**1,322,772**
-	-	-	-	**478,475**
-	35,749	-	-	**36,088**
-	62,585	-	-	**62,585**
-	-	-	94	**94**
-	784	-	8,136	**86,058**
-	-	-	-	**149,787**
-	-	-	-	**24,484**
-	2,145	-	1,050	**20,004**
6,250	123,572	57,202	20,680	**2,430,457**
-	80,630	-	-	**80,630**
-	-	62,887	-	**3,657,947**
-	-	-	-	**6,643**
1,924,850	-	639,211	-	**10,268,387**
3,547	-	-	-	**4,076**
1,928,397	80,630	702,098	-	**14,017,683**
1,934,647	**204,202**	**759,300**	**20,680**	**16,448,140**
1,731	3,737	-	109,213	**154,886**
-	-	-	-	**2,974**
-	-	-	-	**118,515**
-	-	-	-	**121,489**
-	-	-	346	**346**
15,096	-	-	-	**224,829**
-	-	-	-	**14,617**
-	-	153,934	1,307	**155,241**
-	-	-	-	**894,366**
15,096	-	153,934	1,653	**1,289,399**
51,952	1,263	-	919	**(2,597,977)**
$ 68,779	**$ 5,000**	**$ 153,934**	**$ 111,785**	**$ (1,032,203)**

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana Finance Authority	Indiana Bond Bank	Indiana Housing and Community Development Authority
Indiana Finance Authority	$ 319,156	$ 475,642	$ 30,011	$ -	$ 186,497	$ -	$ -
Indiana Bond Bank	128,722	261	128,731	-	-	270	-
Indiana Housing and Community Development Authority	361,611	62,309	272,997	-	-	-	(26,305)
Board for Depositories	22,389	-	23,491	-	-	-	-
Secondary Market for Educational Loans	106,735	-	95,593	-	-	-	-
State Lottery Commission	829,931	823,076	-	-	-	-	-
Indiana Stadium and Convention Building Authority	-	-	16,929	101,038	-	-	-
Non-Major Proprietary	101,511	90,509	637	-	-	-	-
Total component units	$ 1,870,055	$ 1,451,797	$ 568,389	$ 101,038	186,497	270	(26,305)
General revenues:							
Investment earnings					70,813	616	48,142
Payments from State of Indiana					-	-	-
Total general revenues					70,813	616	48,142
Change in net assets					257,310	886	21,837
Net assets - beginning, as restated					(2,157,494)	14,299	176,860
Net assets - ending					$ (1,900,184)	$ 15,185	$ 198,697

The notes to the financial statements are an integral part of this statement.

continued on next page

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Net (Expense) Revenue and Changes in Net Assets					
	Board for Depositories	Secondary Market for Education Loans	State Lottery Commission	Indiana Stadium and Convention Building Authority	Non-Major	Net (Expense) Revenue
Indiana Finance Authority	$ -	$ -	$ -	$ -	$ -	$ 186,497
Indiana Bond Bank	-	-	-	-	-	270
Indiana Housing and Community Development Authority	-	-	-	-	-	(26,305)
Board for Depositories	1,102	-	-	-	-	1,102
Secondary Market for Educational Loans	-	(11,142)	-	-	-	(11,142)
State Lottery Commission	-	-	(6,855)	-	-	(6,855)
Indiana Stadium and Convention Building Authority	-	-	-	117,967	-	117,967
Non-Major Proprietary	-	-	-	-	(10,365)	(10,365)
Total component units	1,102	(11,142)	(6,855)	117,967	(10,365)	251,169
General revenues:						
Investment earnings	-	-	6,855	-	1,125	127,551
Payments from State of Indiana	-	-	-	-	1,157	1,157
Total general revenues	-	-	6,855	-	2,282	128,708
Change in net assets	1,102	(11,142)	-	117,967	(8,083)	379,877
Net assets - beginning, as restated	313,499	79,921	5,000	35,967	119,868	(1,412,080)
Net assets - ending	$ 314,601	$ 68,779	$ 5,000	$ 153,934	$ 111,785	$ (1,032,203)

State of Indiana
Combining Statement of Net Assets
Discretely Presented Component Units - Colleges and Universities
June 30, 2008
(amounts expressed in thousands)

	Indiana University	Purdue University	Non-Major Colleges and Universities	Totals
Assets				
Current assets:				
Cash, cash equivalents and investments	$ 733,265	$ 384,014	$ 315,290	**$ 1,432,569**
Securities lending collateral	273,778	125,391	-	**399,169**
Receivables (net)	112,944	98,926	130,267	**342,137**
Inventory	9,501	-	4,947	**14,448**
Prepaid expenses	-	-	16,832	**16,832**
Due from primary government	12,172	8,595	10,261	**31,028**
Funds held in trust by others	-	-	18,159	**18,159**
Other postemployment benefits	-	-	6,303	**6,303**
Other current assets	21,739	31,437	2,171	**55,347**
Total current assets	1,163,399	648,363	504,230	**2,315,992**
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	1,739,307	59,839	**1,799,146**
Other receivables	300,193	85,864	22,525	**408,582**
Investments - unrestricted	2,043,187	804,065	771,625	**3,618,877**
Loans	-	22	-	**22**
Bond issuance costs net of amortization	-	-	174	**174**
Investment in direct financing lease	8,835	-	-	**8,835**
Other postemployment benefits	-	-	1,191	**1,191**
Other noncurrent assets	-	47,456	18,784	**66,240**
Capital assets:				
Land	52,962	22,721	114,726	**190,409**
Infrastructure	143,508	59,939	63,485	**266,932**
Construction in progress	226,497	137,698	89,241	**453,436**
Property, plant, and equipment	3,164,145	2,590,623	1,865,344	**7,620,112**
Less accumulated depreciation	(1,494,871)	(1,174,782)	(793,756)	**(3,463,409)**
Total capital assets, net of depreciation	2,092,241	1,636,199	1,339,040	**5,067,480**
Total noncurrent assets	4,444,456	4,312,913	2,213,178	**10,970,547**
Total assets	**5,607,855**	**4,961,276**	**2,717,408**	**13,286,539**
Liabilities				
Current liabilities:				
Accounts payable	199,426	59,426	58,758	**317,610**
Interest payable	-	-	2,818	**2,818**
Current portion of long-term debt	51,312	232,176	51,791	**335,279**
Capital lease payable	1,518	-	43	**1,561**
Salaries, health, disability, and benefits payable	-	10,809	20,260	**31,069**
Deferred revenue	138,069	41,983	33,696	**213,748**
Accrued liability for compensated absences	36,308	24,644	1,278	**62,230**
Other postemployment benefits	-	4,880	683	**5,563**
Securities lending collateral	273,778	125,391	-	**399,169**
Deposits held in custody for others	-	22,576	11,877	**34,453**
Other current liabilities	-	21,275	22,255	**43,530**
Total current liabilities	700,411	543,160	203,459	**1,447,030**
Long-term liabilities:				
Accrued liability for compensated absences	14,060	27,653	14,892	**56,605**
Other postemployment benefits	3,755	1,254	2,825	**7,834**
Deferred revenue	48,729	-	2,559	**51,288**
Capital lease payable	9,064	-	19	**9,083**
Funds held in trust for others	83,512	61,278	15,277	**160,067**
Advances from federal government	-	20,052	8,822	**28,874**
Revenue bonds/notes payable	750,874	488,588	627,983	**1,867,445**
Other noncurrent liabilities	32,308	3,149	20,529	**55,986**
Total long-term liabilities	942,302	601,974	692,906	**2,237,182**
Total liabilities	**1,642,713**	**1,145,134**	**896,365**	**3,684,212**
Net assets				
Invested in capital assets net of related debt	1,336,766	913,478	644,434	**2,894,678**
Restricted-nonexpendable				
Instruction and research	-	197,569	912	**198,481**
Student aid	-	149,752	6,018	**155,770**
Other purposes	67,508	28,043	19,259	**114,810**
Total restricted-nonexpendable	67,508	375,364	26,189	**469,061**
Restricted-expendable				
Instruction and research	85,480	250,159	94,466	**430,105**
Grants/constitutional restrictions	-	-	10,760	**10,760**
Endowments	-	490,583	19,432	**510,015**
Future debt service	21,536	-	3,000	**24,536**
Public safety programs	-	-	7,016	**7,016**
Student aid	23,182	590,466	105,829	**719,477**
Auxiliary enterprises	-	4,584	3,492	**8,076**
Capital projects	14,122	96,893	140,687	**251,702**
Repairs and rehabilitation	-	-	806	**806**
Unrealized gains	-	96,329	-	**96,329**
Other purposes	-	-	20,995	**20,995**
Total restricted-expendable	144,320	1,529,014	406,483	**2,079,817**
Unrestricted (deficit)	2,416,548	998,286	743,937	**4,158,771**
Total net assets	**$ 3,965,142**	**$ 3,816,142**	**$ 1,821,043**	**$ 9,602,327**

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combining Statement of Activities
Discretely Presented Component Units - Colleges and Universities
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Indiana University	Purdue University	Non-Major Colleges and Universities	Net (Expense) Revenue
Indiana University	$ 2,446,436	$ 1,308,221	$ 685,168	$ 23,082	$ (429,965)	$ -	$ -	$ (429,965)
Purdue University	1,660,653	813,937	319,004	85,348	-	(442,364)	-	(442,364)
Non-Major Colleges and Universities	1,250,057	510,213	107,053	6,473	-	-	(626,318)	(626,318)
Total component units	$ 5,357,146	$ 2,632,371	$ 1,111,225	$ 114,903	(429,965)	(442,364)	(626,318)	(1,498,647)
General revenues:								
Investment earnings					(47,248)	22,231	35,381	10,364
Payments from State of Indiana					558,022	377,004	494,069	1,429,095
Other					59,149	104,974	178,852	342,975
Total general revenues					569,923	504,209	708,302	1,782,434
Change in net assets					139,958	61,845	81,984	283,787
Net assets - beginning, as restated					3,825,184	3,754,297	1,739,059	9,318,540
Net assets - ending					$ 3,965,142	$ 3,816,142	$ 1,821,043	$ 9,602,327

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

STATE OF INDIANA

Notes to the Financial Statements
June 30, 2008

STATE OF INDIANA
Notes to the Financial Statements
June 30, 2008
(schedule amounts are expressed in thousands)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government (State of Indiana) and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations; data from these units are combined with data of the primary government. Discretely presented component units are reported in one column in the government-wide financial statements. This column contains the proprietary fund types and colleges and universities. This is to emphasize that, as well as being legally separate from the government, they also provide services to and benefit local governments and/or the citizens of the State of Indiana. Of the component units, the Indiana Housing and Community Development Authority and the Indiana Comprehensive Health Insurance Association have a December 31, 2007, fiscal year-end.

Blended Component Units

The following are blended component units of the State of Indiana. The primary government appoints a voting majority of their boards and is able to impose its will. Although they are legally separate from the State, the units are reported as if they were part of the State because they provide services entirely or almost entirely to the State. These component units are audited by the State Board of Accounts.

The Bureau of Motor Vehicle Commission is responsible for the operation and administration of the State's license branches. The five member commission is appointed by the governor. It consists of four individuals and a commissioner. No more than three of the members may be of the same political party. The Commission is reported as a non-major governmental fund.

The Indiana Economic Development Corporation was created to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana's economy, by the orderly economic development and growth of Indiana, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry and the promotion of Indiana. The Corporation is composed of 12 members, none of whom may be members of the general assembly. These members consist of the governor and 11 individuals appointed by the governor. At least five members must belong to the same political party as the governor. At least three members must belong to a major political party other than the party of which the governor is a member. The Corporation is reported as a non-major governmental fund.

Discretely Presented Component Units

The following are discretely presented component units of the State of Indiana. The primary government appoints a voting majority of their boards and is able to impose its will. All proprietary component units are audited by outside auditors. The State Board of Accounts audits the colleges, universities, and the discrete pension trust funds. College and university foundations are audited by outside auditors.

Formed on May 15, 2005, the Indiana Finance Authority (IFA) combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund. Effective July 1, 2005, all records, money, and other property held by the Auditor of State with respect to the Supplemental Drinking Water and Wastewater Assistance Programs were transferred to the IFA as the successor entity. The IFA is a body both corporate and politic, and though separate from the State of Indiana (State); the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State.

The IFA finances and refinances state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, childcare financing, and educational facility projects.

The IFA's revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals. The Authority is reported as a proprietary fund.

The Indiana Bond Bank, created in 1984, is controlled by a board composed of the Treasurer of State, Director of Public Finance and five appointees of the Governor. The Bond Bank issues debt obligations and invests the proceeds in various projects of State and local governments. The unit is reported as a proprietary fund.

The Indiana Housing and Community Development Authority was created in 1978 for the purpose of financing residential housing for persons and families of low and moderate incomes. The Authority's board consists of the Public Finance Director of the Indiana Finance Authority, the Lieutenant Governor, the State Treasurer and four persons appointed by the Governor. The Lieutenant Governor chairs the board. The unit is reported as a proprietary fund.

The Indiana Board for Depositories was established to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. The Board, consisting of the Governor, Treasurer of State, Auditor of State, Chairman of the Commission for Financial Institutions, State Examiner of the State Board of Accounts and four members appointed by the Governor, provides insurance on public funds in excess of the Federal Deposit Insurance Corporation limit. The unit is reported as a proprietary fund.

The Indiana Secondary Market for Education Loans, Inc. (ISM) was formed at the request of the Governor to purchase education loans in the secondary market. The Governor appointed the original Board of Directors. ISM provides in its articles of incorporation that changes in the composition of its directors or in its bylaws are subject to the approval of the Governor. The unit is reported as a proprietary fund.

The State Lottery Commission of Indiana is composed of five members appointed by the Governor. Net proceeds from the Lottery are distributed to the State to be used to supplement teachers' retirement, public employees' retirement, and the Build Indiana Fund. A portion of the Build Indiana Fund is then used to supplement the Motor Vehicle Excise Tax Replacement Fund. The Commission is reported as a proprietary fund.

Effective May 15, 2005, the Indiana Stadium and Convention Building Authority was established pursuant to House Bill 1120, which has now been codified at Indiana Code 5-1-17, as a new entity of the State to finance, design, construct and own the new Indiana Stadium in Indianapolis and the upcoming expansion of the adjacent Indiana Convention Center. The Building Authority is governed by a seven member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. The Authority is reported as a proprietary fund.

The White River State Park Development Commission has the responsibility to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county. The Commission is reported as a non-major proprietary fund.

The Indiana Comprehensive Health Insurance Association was created by the State of Indiana to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage. The board of directors of the Association consists of nine members whose principal residence is in Indiana. Four members are appointed by the insurance commissioner from the members of the Association, one of which must be a representative of health maintenance organization. Two members are appointed by the commissioner and shall be consumers representing policyholders. Other members are the state budget director or designee and the commissioner of the department of insurance or designee. One member appointed by the commissioner must be a representative of health care providers. The Association is reported as a non-major proprietary fund.

Effective July 1, 2000, the Public Employees' Retirement Fund (PERF) became an independent body corporate and politic. PERF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The PERF board is composed of five trustees appointed by the Governor and the director of the budget agency or the director's designee as an ex officio voting member of the board. The board of trustees administers the following funds: Public Employees' Retirement Fund, Judges' Retirement System, Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan, the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Legislators' Retirement System Defined Benefit Plan, the Legislators' Retirement System Defined Contribution Plan, the Prosecuting Attorneys' Retirement Fund, the Pension Relief Fund, and two death benefit funds. For more information on PERF see Note V(E) Employee Retirement Systems and Plans. All of these funds have been aggregated for presentation in PERF's financial statements.

Effective July 1, 2000, the Teachers' Retirement Fund (TRF) became an independent body corporate and politic. TRF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The TRF board is composed of five trustees appointed by the Governor and the director of the budget agency or director's designee as an ex officio voting member of the board. For more information on TRF see Note V(E) Employee Retirement Systems and Plans.

The Public Employees' Retirement Fund and the Teachers' Retirement Fund were determined to be significant for note disclosure purposes involving the discretely presented fiduciary component units.

Each of the seven colleges and universities included in this report was established by individual legislation to provide higher education opportunities to the citizens of Indiana. The authority to administer the operations of each institution is granted to a separate board of trustees for each of the seven institutions. The number and makeup of the board of trustees of each college and university is prescribed by legislation specific for that institution. Four universities have nine member boards; two have ten member boards; Ivy Tech Community College has a fourteen-member board of trustees. Appointments to the boards of trustees are made by the Governor and by election of the alumni of the respective universities. Indiana University and Purdue University are reported as a major discretely presented component unit.

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments.

The financial statements of the individual component units may be obtained from their administrative offices as follows:

Indiana Finance Authority
One North Capitol Ave., Suite 900
Indianapolis, IN 46204

Indiana Bond Bank
10 West Market St. Suite 2980
Indianapolis, IN 46204

State Lottery Commission of Indiana
Pan Am Plaza
201 S. Capitol, Suite 1100
Indianapolis, IN 46225

Indiana Stadium and Convention
Building Authority
425 W. South Street
Indianapolis, IN 46225

Indiana Housing and Community
Development Authority
40 South Meridian, Suite 1000
Indianapolis, IN 46204

Secondary Market for Education Loans, Inc.
Capital Center, Suite 400
251 N. Illinois
Indianapolis, IN 46204

Indiana Board for Depositories
One North Capitol Ave, Suite 444
Indianapolis, IN 46204

Indiana White River State Park
Development Commission
801 West Washington Street
Indianapolis, IN 46204

Indiana Comprehensive Health Insurance
Association
9465 Counselors Row, Suite 200
Indianapolis, IN 46240

Ivy Tech Community College
Assistant Treasurer
50 West Fall Creek Parkway North Drive
Indianapolis, IN 46208

University of Southern Indiana
8600 University Boulevard
Evansville, IN 47712

Indiana University
Poplar's Room. 500, 107 S. Indiana Ave.
Bloomington, IN 47405-1202

Ball State University
Administration Bldg., 301
2000 West University Avenue
Muncie, IN 47306

Indiana State University
Office of the Controller
210 N. 7th Street
Terre Haute, IN 47809

Vincennes University
1002 North 1st Street
Vincennes, IN 47591

Purdue University
Accounting Services
401 South Grant Street
West Lafayette, IN 47907-2024

State of Indiana
Public Employees' Retirement Fund
Harrison Building
143 West Market Street
Indianapolis, IN 46204

Indiana State Teachers' Retirement Fund
150 West Market Street, Suite 300
Indianapolis, IN 46204-2809

B. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the overall government. They exclude information about fiduciary activities, including component units, which are fiduciary in nature, such as the public employee retirement systems. They distinguish between the primary government and its discretely presented component units as defined under the reporting entity above. They also distinguish between governmental activities and business-type activities of the State. Governmental activities rely on taxes and intergovernmental revenues for their support. Business-type activities, on the other hand, rely on fees and charges for services provided for their support.

The statement of activities matches the State's direct functional expense with the functional program revenue to identify the relative financial burden of each of the State's functions. This format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees and intergovernmental aid. Certain indirect costs are included in the program expense reported for individual functions of government. Program revenues derive directly from the program itself or from parties outside the State's taxpayers, as a whole. They reduce the net cost of the function to be financed from the general revenues. Program revenues include charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. Revenues that do not meet the criteria of program revenues are general revenues. These include all taxes, even those levied for a specific purpose and are reported by type of tax. Investment income is also a general revenue.

Separate financial statements are presented for the State's governmental, proprietary and fiduciary funds. Governmental fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances. Major governmental funds are presented in separate columns and non-major funds are aggregated in a separate column. Proprietary and fiduciary funds are reported using the statement of net assets and the statement of changes in net assets. In addition proprietary funds include a statement of cash flows.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting

The government-wide statements and the proprietary and fiduciary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues, including federal government mandates on the State, certain grants and entitlements, and most donations, are recognized in the period when all applicable eligibility requirements have been met.

For the government-wide financial statements and enterprise and fiduciary fund statements, the State applies all applicable FASB pronouncements issued before December 1, 1989, and those issued after that date which do not contradict any previously issued GASB pronouncements.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the State of Indiana, “available” means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and related liabilities, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Individual and corporate income tax, sales tax, inheritance tax, cigarette tax, alcoholic beverage tax, motor fuel tax, fines, and penalties are accrued using one month’s revenues.

Gaming taxes and fees and vehicle licenses are received daily via electronic funds transfer with a one to three working day delay, so the first several working days in July revenues are reviewed for materiality and accrued accordingly.

Financial Statement Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Governmental funds are used to account for the government's general government activities. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds.

The *General Fund* is the State’s primary operating fund. It is maintained to account for resources obtained and used for those services traditionally provided by State government, which are not required to be accounted for in another fund. The General Fund is a major fund.

The *special revenue* funds account for revenue sources that are legally restricted to expenditure for specific purposes except for major capital projects.

The following special revenue funds are presented as major.

- The *Motor Vehicle Highway Fund* collects motor fuel taxes, special fuel taxes, motor carrier surtaxes, and vehicle license fees for public safety programs and distributions to local units of government for transportation programs.

- The *Medicaid Assistance Fund* receives federal grants and State appropriations which are used to administer the Medicaid and Children’s Health Insurance programs.

- The *Major Moves Construction Fund* distributes money received from the Toll Road lease. This money is used for new construction and major preservation of highways and bridges throughout Indiana.

- The *State Highway Department Fund* receives federal grants and State appropriations that are used for State transportation programs.

- The *Property Tax Replacement Fund* receives corporate income tax and sales tax which is used for education and property tax replacement distributions to local units of government.

- The *Tobacco Settlement Fund* is used to account for funds received under the tobacco master settlement agreement and is used to fund various health programs, tobacco education, prevention, and use control.

The *capital projects funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds. There are no major capital project funds.

The *permanent funds* are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the benefit of the government or its citizens. There are no major permanent funds.

Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows. Operating revenues and expenses are the revenues and expenses that pertain to the fund's principal operations. Nonoperating revenues and expenses are those revenues resulting from secondary or auxiliary activities of the fund. Nonoperating items include interest/investment revenue and expense. Proprietary funds include both enterprise funds and internal service funds.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The State reports the following major enterprise fund:

- The *Unemployment Compensation Fund* collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals.

Internal service funds account for operations that provide goods and services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The goods and services provided include fleet management, information technology and communication, aviation, printing, products of correctional industries, and self-insurance. Major fund reporting requirements do not apply to internal service funds. Combined totals for all internal service funds are reported as a separate column on the face of the proprietary fund financial statements.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others. They cannot be used to support the State's own programs. Fiduciary funds include pension (and other employee benefit) trust funds, private-purpose trust funds, investment trust funds, and agency funds.

Pension trust funds are used to report resources held in trust for the members and beneficiaries of defined benefit pension plans, and defined contribution pension plans. Pension trust funds include the State Police Pension Fund.

Private-purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments. Private Purpose funds include the Abandoned Property Fund and the Private Purpose Trust Fund.

Investment trust funds are used to report the external portion of investment pools operated by a sponsoring government. Treasurer of State, local units of government, and quasi-governmental units in Indiana have the opportunity to invest in a common pool of investments that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment of public funds. The State's investment trust fund is TrustINdiana operated by the state treasurer. The amounts reported represent the external portion of the pool.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. Agency Funds include Employee Payroll Withholding and Benefits, Local Distributions, Child Support and Department of Insurance.

D. Assets, Liabilities and Equity

1. Deposits, Investments and Securities Lending

For purposes of reporting cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity (generally three months or less from the date of acquisition).

Cash balances of most State funds are commingled in general checking accounts and several special purpose banking accounts. The available cash balance not necessary beyond immediate need is pooled and invested. Interest earned from investments purchased with pooled cash is deposited in the general fund, except as otherwise provided by statute.

Investments and secured lending transactions are stated at fair value. However, money market investments and participating interest-earning investment contracts that mature within one year of acquisition are reported at amortized cost, which approximates fair value. Fair value is determined by quoted market prices which approximate fair value.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency. The Treasurer of State is authorized by statute to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Investments which are authorized for the State Teachers' Retirement Fund include: U.S. Treasury and Agency obligations, U.S. Government securities, common stock, international equity, corporate bonds, notes and debentures, repurchase agreements secured by U.S. Treasury obligations, mortgage securities, commercial paper, banker's acceptances, limited liability partnerships, and real estate securities. Investments which are authorized for the State Police Retirement fund include: U.S. Treasury and Agency obligations, State and municipal obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage pool investments, and repurchase agreements. The remaining six retirement systems and the Pension Relief Fund are administered by the Public Employees' Retirement Fund Board. The Board is required to diversify investments in accordance with prudent investment standards. Investment guidelines, issued by the Board, contain limits and goals for each type of investment portfolio, and specify prohibited transactions. These guidelines authorize investments of: U.S. Treasury and Agency obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage securities, mutual funds, collective trust funds, asset backed, commercial mortgage backed, international stocks, and real estate.

2. Receivables and Payables

In the government-wide and proprietary fund financial statements, revenues are recognized on the flow of economic resources measurement focus. Material receivables are recognized as follows. Uncollected taxes due in the following periods are subject to accrual.

> Individual income tax – Individual withholding tax is due from employers by the 20th day after the end of the month collected. Estimated payments are due from individuals by the 15th of the month immediately following each quarter or the calendar year.
>
> Corporate income tax - Due quarterly on the 20th day of April, June, September, and December with the last payment due on April 15th for a calendar year taxpayer.
>
> Sales tax – Due by the 20th day after the end of the month collected.
>
> Fuel tax – Gasoline tax is due the 20th day after the end of the month collected. Special fuel tax, depending on the status of the taxpayer, is due by the 15th day after the end of the month collected or the 15th day after the end of the quarter collected. Motor carrier surtax is due at the end of the month following the end of the quarter.
>
> Financial institutions tax – same laws as corporate income taxes (see above) for making payments.
>
> Alcohol and tobacco taxes – Cigarette distributors purchase tax stamps within 6 days after they accept delivery of the cigarettes. Cigarette tax is due within 30 days of the issuance of the tax stamp. Alcoholic beverage tax is due by the 20th day after the end of the month collected.
>
> Inheritance tax – due twelve months from the decedent's date of death.

In the governmental fund financial statements, revenue is recognized on the flow of current financial resources. Material receivables are subject to accrual for receipts collected in the month of July.

The State of Indiana does not collect property tax, which is collected by local units of government; a minor portion is remitted to the State semiannually

(June and December) for distribution to the State Fair Commission, Department of Natural Resources and Family and Social Services Administration.

3. Interfund Transactions and Balances

The State has the following types of interfund transactions in the governmental fund and proprietary financial statements:

Interfund service provided and used (reciprocal interfund activity) – Charges for goods or services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund.

Interfund Transfers (non-reciprocal interfund activity) – Legally authorized transfers whereby the two parties do not receive equivalent cash, goods or services are reported as transfers.

The types of assets and liabilities resulting from these transactions are:

Interfund loans – These are balances arising from the short-term and long-term portion of interfund transactions.

Interfund services provided/used – These are balances arising in connection with reciprocal interfund activity or reimbursements. Balances relating to discretely presented component units are presented as 'Due from/to component units'.

Interfund services provided and interfund loans are eliminated in the government-wide statements because they are provided by one governmental activity on behalf of another or by one business-type activity on behalf of another.

4. Inventories and Prepaid Items

Inventories for the Inns & Concessions, Institutional Industries and Administrative Services Revolving funds are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The first in/first out (FIFO) method is used for valuation of inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Net Assets

Certain net assets are classified as restricted net assets because their use is completely restricted by bond indentures, contracts, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.

6. Capital Assets

Capital outlays are reported as expenditures in the governmental funds and as assets in the government-wide statements to the extent the State's $20,000 capitalization threshold is met. In accordance with GASB Statement No. 34, all infrastructure assets have been capitalized retroactively.

The Indiana Department of Transportation (INDOT) uses the modified approach for reporting its infrastructure. The Department of Natural Resources (DNR) uses the depreciation approach for reporting its infrastructure.

Under the modified approach, the State has determined that the condition level for INDOT infrastructure assets to be maintained is:

- an average Pavement Quality Index (PQI) of 75 for Interstate and National Highway Safety (NHS) Non-Interstate roads,
- an average PQI of 65 for Non-NHS roads,
- an average sufficiency rating of 87% for interstate bridges,
- an average sufficiency rating of 85% for NHS Non-Interstate bridges, and
- an average sufficiency rating of 83% for Non-NHS bridges.

The Division of Program Development of INDOT is responsible for determining the appropriate condition level of the infrastructure assets.

No amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential.

INDOT projects are capitalized based on capitalization and preservation percentages assigned to three hundred sixty-two (362) work types. For example, the cost for constructing a new bridge would likely be 100% capitalized; whereas, the cost for adding travel lanes to a road would likely be assigned a work type code resulting in capitalization at 50% and preservation at 50%.

The State maintains an inventory of these infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. Condition assessments are determined on an annual basis for interstates and on a biennial basis for other roads. Sufficiency ratings are determined at least on a biennial basis for all bridges and more frequently for certain bridges depending on their design.

The State makes annual estimates of the amounts that must be expended to preserve and maintain these infrastructure assets at the predetermined condition levels.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated fixed assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated in the proprietary and similar trust funds using the straight-line method on both the fund basis and the government-wide basis. Both the government-wide statements and proprietary and similar trust funds use the following estimated useful lives:

Assets	Years
Buildings	20-40
Improvements other than buildings	10-20
Infrastructure (not using modified approach)	20
Furniture, machinery and equipment	3-14
Motor pool vehicles	10 ¢ / mile

The State of Indiana maintains several collections of works of art, historical treasures, and similar assets that are not capitalized. While the collections are maintained by different agencies, each collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that either prohibits sale or requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State's major collections are:

- The State Museum Collection, which is a part of the Indiana Department of Natural Resources, consists of historical buildings and furnishings; personal artifacts; tools and equipment; communication, transportation, recreational and societal artifacts; and art objects.

- The Commission on Public Records, State Archives Collection consists of historical and legal documents, that are generated on: paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics.

- The State Library has two collections, the Manuscript Collection and the Indiana History Collection. These collections include historical documents and works of art, most of it of Indiana origin.

Other collections include the Historical Bureau's Indiana Governors' Portrait Collection, the Department of Administration's Statehouse Collection, and the Indiana Arts Commission's Collection. These collections consist primarily of art objects.

7. Compensated Absences

Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, ten and twenty years of employment.

Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty (30) unused vacation leave days. In addition, qualifying retiring employees are paid an additional payment up to a maximum of $5,000, which is made up of unused vacation leave over 30 days, unused personal leave, and unused sick leave.

Employees of the legislative and judicial branches as well as those of the Auditor of State may convert a portion of accrued but unused vacation and sick leave into the deferred compensation plan. An employee must have at least 300 hours of vacation or sick leave accrued in order to participate in this plan. There is a sliding scale which determines how many hours are converted from those hours the employee has accrued. The hours converted are deposited into the deferred compensation program's 401(a) plan at 60% of the employee's hourly rate.

Vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government-wide, proprietary, and fiduciary fund financial statements.

8. Long-Term Obligations

Long-term debt and other obligations are reported in the government-wide statements and the proprietary funds statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund.

In the governmental fund financial statements, bond issuance costs and bond discounts are treated as period costs in the year of issue. Proceeds of long term debt, issuance premiums or discounts and certain payments to escrow agents for bond refundings are reported as other financing sources and uses.

9. Fund Equity

In the fund financial statements, reservations of fund equity represent those portions of fund balances that are legally restricted by outside parties for a specific purpose or are not appropriable. In the accompanying balance sheet, reserves for encumbrances and tuition support are examples of the former. Reserves for intergovernmental loans and advances receivables are examples of the latter. The following is a brief description of each reserve and the purpose for which it was established:

Reserve for Tuition Support – established to recognize that the legislature has set aside money, as determined by the State Budget Agency, for paying the monthly distributions to local school units at the beginning of the succeeding fiscal year.

Reserve for Encumbrances – established to recognize money set aside out of one year's budget for goods and/or services ordered during that year that will not be paid for until they are received in a subsequent year.

Reserve for Restricted Purposes – established to recognize legal limitations that specify the purpose or purposes for which resources derived from government-mandated and voluntary nonexchange transactions are to be used.

Reserve for Prepaid Items – established to recognize payments made in advance of receipt of goods and services in an exchange transaction.

Reserve for Interfund Loans – established to recognize short-term and long-term loans issued to other funds within this government and therefore not currently available for expenditure.

Reserve for Intergovernmental Loans – established to recognize that the legislature has set aside money to lend to local units of government for specific purposes. These amounts are loans to individual school corporations, cities, towns, counties and other governmental units. Additionally, the general fund lends money to nonprofit entities. All loans require review and approval of the Indiana State Board of Finance prior to issuance.

Reserve for Debt Service, Special Purposes – established to recognize that certain amounts have been set aside for debt service and for purposes specific to a particular component. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As described in Note I, Summary of Significant Accounting Policies, differences exist between the government-wide and the governmental fund financial statements. These differences are summarized in the reconciliations that follow the governmental fund financial statements.

A. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

In the government-wide financial statements, capital assets are considered economic resources and are capitalized at cost or estimated historical cost at time of acquisition. Where applicable these costs are offset by accumulated depreciation.

The government-wide statements use the flow of economic resources and accrue receivables that are not available soon enough in the subsequent period to pay for the current period's expenditures. Also under the flow of economic resources, expenses reported in the statement of activities do not require the use of current financial resources. Both these receivables and payables are accrued in the government-wide statements, but not in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

In the government-wide financial statements, the cost for capital outlays, except for governmental infrastructure, is allocated over the assets' useful lives and is reported as depreciation expense. In the fund financial statements, capital outlays are reported as expenditures in the functional line items.

The government-wide statements use the flow of economic resources and therefore do not report revenues and expenses dependent on the availability of financial resources, as is reported in the fund financial statements. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental fund financial statements, but the repayment reduces long-term liabilities in the statement of net assets.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the expenses of internal service funds are included in governmental activities in the statement of activities. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

At June 30, 2008, various funds had a deficit fund balance caused by overdrafts from pooled cash and investments and the posting of accruals to the balance sheet. Temporary cash overdrafts are reported as interfund loans from the general fund.

Fund	Overdraft from pooled cash	Accrual deficits
Governmental Funds		
County Welfare Administration	$ (1,765)	$ (3,800)
Medicaid Administration	(350)	-
Bureau of Motor Vehicles Commission	-	(13,125)
Property Tax Reduction Fund	-	(100,692)
Federal Food Stamp Program	(9,787)	(263)
Major Construction Army National Guard	(345)	-

B. Unreserved Fund Balance

The State of Indiana designates its unreserved fund balance as designated for appropriations, designated for allotments, and undesignated. In order for money to be spent out of a fund it must be appropriated by the legislature and then allotted by the State Budget Agency. The following are the designations of unreserved fund balance at June 30, 2008:

Unreserved Fund Balance

	Designations of Unreserved Fund Balance			
	Designated for Appropriations	Designated for Allotments	Undesignated	Total Unreserved Fund Balance
Governmental Funds				
General Funds	$ 416,232	$ 534,382	$ 1,306,430	$ 2,257,044
Motor Vehicle Highway Fund	-	-	(44,779)	(44,779)
Medicaid Assistance	27,125	(32,241)	-	(5,116)
Major Moves Construction Fund	523,935	-	2,050,307	2,574,242
State Highway Department	-	-	(1,223,547)	(1,223,547)
Tobacco Settlement Fund	132,425	-	15	132,440
Non-Major Special Revenue Funds	773,120	801,505	(29,314)	1,545,311
Non-Major Capital Projects Funds	55,173	22,912	868	78,953
Non-Major Permanent Funds	-	75,993	552,708	628,701
Total Governmental Funds	$ 1,928,010	$ 1,402,551	$ 2,612,688	$ 5,943,249

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits, Investments and Securities Lending

1. Primary Government – Other than Major Moves Construction Fund and Next Generation Trust Fund, Investment Trust Funds, and Pension Trust Funds.

Investment Policy

Indiana Code 5-13-9, 10 and 10.5 establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. For more information, please see the PERF policy in note IV(A)3. There is no formal investment policy for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of credit risk, investment credit risk, nor interest rate risk.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2008:

Primary Government
(Amounts in thousands)

Investment Type	Fair Value Totals	Investment Maturities (in Years) Less than 1	1 - 5
U.S. Agencies	$ 2,339,230	$ 2,248,328	$ 90,902
Municipal Bonds	26,095	26,095	-
Local Govt Investment Pool	252,311	252,311	-
Non-U.S. Fixed Income	5,000	-	5,000
Certificate of Deposits	311,413	311,413	-
Money Market Mutual Funds	1,419,000	1,419,000	-
Total	$ 4,353,049	$ 4,257,147	$ 95,902

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2008, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodian's failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with it's obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Indiana Code 5-13-9-2 authorizes the State Treasurer to invest or reinvest in securities fully guaranteed and issued by (1) the United States Treasury, (2) a federal agency, (3) a federal instrumentality, or (4) a federal government sponsored enterprise. The State Treasurer also may invest or reinvest in money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940. The portfolio of the investment company or investment trust must be limited to direct obligations of the United States, a federal agency, a federal instrumentality, a federal government sponsored enterprise, or repurchase agreements fully collateralized by obligations described in numbers (1) through (4) above. The statute also states the securities of or interests in an investment company or investment trust must be rated as one of the following: (1) AAA, or its equivalent, by Standard & Poor's Corporation or its successor; or (2) Aaa, or its equivalent, by Moody's Investors Service, Inc. or its successor.

The following table provides information on the credit quality ratings of investments as of June 30, 2008:

Primary Government
(Amounts in thousands)

Investment Type	S & P	Moody's	Fair Value
U.S. Agencies	AAA	Aaa	$ 2,339,230
Certificate of Deposits	NR	NR	311,413
Municipal Bonds	NR	NR	26,095
Non-US Fixed Income Bonds	A	A	5,000
Local Govt Investment Pool	NR	NR	252,311
Money Market Mutual Funds	AAA	Aaa	1,419,000
Total			$ 4,353,049

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Indiana Code 5-13-10-3 states that the State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that depository as determined by its last published statement of condition filed with the State Treasurer.

Investments in any one issuer that represent 5% or more of the total investments are:

Freddie Mac:	10.8%	$506,404,660
Fannie Mae:	9.5%	$444,017,904
Federal Home Loan Bank:	29.6%	$ 1,386,342,280

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities. The Treasurer of State is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount or (2) a financial institution located either in or out of Indiana aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities. State statutes and policies permit the State to lend securities to broker-dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The State's custodial banks manage the securities lending programs and receive securities or cash as collateral. The types of securities lent during the year may include U.S. Treasury and agency obligations, corporate bonds/notes, and foreign bonds. Collateral securities and cash are initially pledged at 102% of the market value of the securities lent. Generally, there are no restrictions on the amount of assets that can be lent at one time, except for the Public Employees' Retirement Fund and the State Teachers' Retirement Fund (discretely presented component units), which allow no more than 40% to be lent at one time.

The collateral securities cannot be pledged or sold by the State unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-35 days. The weighted average maturity gap at June 30, 2008 was 34.33 days. The contracts with the State's custodians requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

Major Moves Construction Fund/Next Generation Trust Funds

Investment Policy

Indiana Code, Title 5, Article13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the Public Employees' Retirement Fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. An Investment Policy Statement has been adopted by the Treasurer of State. The Investment Policy Statement is written in conformity with the applicable investment statutes and in accordance with prudent investor standards. The IPS establishes a strategic asset allocation for Domestic Fixed Income Managers. This strategic asset allocation is set for Core managers at 35%, Core Plus managers at 50%, and Hybrid managers at 15%.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To control the interest rate risk, the IPS establishes that the average duration of any fixed income investment manager may not vary by more than 20% from the average duration of that investment manager's benchmark index.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2008:

Major Moves/Next Generation Funds
(Amounts in thousands)

Investment Type	Fair Value	Less than 1	1 - 5	6- 10	More than 10
		Investment Maturities (in Years)			
U.S Treasuries	$ 435,999	$ 8,254	$ 110,915	$ 102,536	$ 214,294
U.S. Agencies	198,524	79,724	30,742	26,274	61,784
Government Asset and Mortgage Backed	607,734	981	14,607	13,021	579,125
Collateralized Mortgage Obligations					
Government CMOs	53,265	-	9,562	7,581	36,122
Corporate Bonds	987,654	18,275	433,274	313,983	222,122
Corporate Asset Backed	284,556	-	47,881	15,715	220,960
Private Placements	45,117	595	17,672	15,517	11,333
Municipal Bonds	23,464	770	6,688	5,439	10,567
Miscellaneous Other Fixed Income	4,541	-	3,619	-	922
Money Market Mutual Funds	513,522	513,522	-	-	-
	$ 3,154,376	$ 622,121	$ 674,960	$ 500,066	$ 1,357,229

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2008, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with it's obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment managers must adhere to the following guidelines:

Intermediate and Core Fixed Income Managers

a. The average credit quality of each manager's portfolio shall not be lower than Aa3/AA-
b. All securities at the time of purchase shall have a Moody's, S&P's and/or Fitch's credit quality rating of no less than BBB
c. In the event a holding is downgraded to less than BBB, the manager will have the discretion over when to sell the security, generally, no later than 90 days following the downgrade.

Core Plus Fixed Income Managers

d. At least 60% of the securities held in the portfolio shall have a credit rating of no less than BBB
e. Investments in high-yield and non-US debt are permitted, but combined exposure to those sectors should not exceed 40%
f. The average credit quality of each manager's portfolio shall not be lower than single A

Hybrid Fixed Income Managers

g. High-yield and non-US debt securities are permitted
h. Non US-dollar currency exposure is permitted

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools. For Intermediate and Core Fixed Income Managers, securities in any one issuer should be limited to not more than 5% of the investment manager's portion of the Fund portfolio measured at market value. For Core Plus Fixed Income Managers, the exposure of each manager's portfolio should be limited to not more than 10% of the manager's portion of the Fund portfolio measured at market value.

Investments in any one issuer that represent 5% or more of the total investments are:

FNMA: 17.27%, $538,973,007
FHLMC: 5.39%, $177,457,195

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

The following is a summary of the Credit Risk Disclosure as of June 30, 2008:

Major Moves/Next Generation Funds
(Amounts in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Treasuries	AAA	$ 435,999	Aaa	$ 435,999
U.S. Agencies	AAA	198,524	Aaa	198,524
Government Asset And Mortgage Backed	AAA	581,183	Aaa	549,961
	AA	3,462	Aa	8,904
	A	984	A	1,573
	BBB	8,415	Baa	8,855
	BB	1,321	Ba	953
	B	1,426	B	-
	NR	10,943	NR	37,488
Collateralized Mortgage Obligations				
Government CMO's	AAA	52,871	Aaa	52,790
Government CMO's	NR	-	NR	81
Government CMO's	BBB	394	Baa	394
Corporate Bonds	AAA	79,683	Aaa	90,221
	AA	87,222	Aa	102,365
	A	199,887	A	169,513
	BBB	262,364	Baa	281,527
	BB	76,278	Ba	57,693
	B	106,354	B	109,800
	CCC&Below	43,805	Caa&Below	53,829
	NR	132,061	NR	122,706
Corporate Asset Backed	AAA	243,684	Aaa	241,709
	AA	6,329	Aa	8,454
	A	6,695	A	5,079
	BBB	3,795	Baa	5,672
	BB	2,290	Ba	2,168
	NR	21,763	NR	21,474
Private Placements	AAA	4,043	Aaa	870
	AA	10,115	Aa	10,492
	A	9,318	A	12,710
	BBB	18,311	Baa	15,510
	BB	199	Ba	2,325
	B	2,577	B	1,076
	NR	554	NR	2,134
Municipal Bonds	AAA	3,337	Aaa	1,512
	AA	6,248	Aa	2,548
	A	5,225	A	10,206
	BBB	4,403	Baa	3,173
	CCC&Below	1,151	Caa & Below	-
	NR	3,100	NR	6,025
Misc Other Fixed Income	BBB	1,829	Baa	1,829
	NR	2,712	NR	2,712
Money Market Mutual Funds	NR	513,522	NR	513,522
Total		$ 3,154,376		$ 3,154,376

TrustINdiana, Local Government Investment Pool (Investment Trust Funds)

Investment Policy

Indiana Code 5-13-9-11 establishes the local government investment pool (TrustINdiana) within the office and custody of the Treasurer of State. The Treasurer of State shall invest the funds in TrustINdiana in the same manner, in the same type of instruments, and subject to the same limitations provided for the deposit and investment of state funds by the Treasurer of State under Indiana Code 5-13-10.5. Investment Criteria have been established and adopted to create the principles and procedures by which the funds of TrustINdiana shall be invested and to comply with state investment statutes relating to the investment of public funds.

Valuation of Investments

Consistent with the provisions of a 2a-7 like pool as defined by GASB Statement No. 31, TrustINdiana securities are valued at amortized cost, which approximates market value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As established in the Investment Criteria, the maximum maturity of any bank deposit product shall be seven days and all other investments in the Pool will have no greater than a two year final stated maturity except for specific exceptions provided for by state statute.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2008:

TrustINdiana - Local Government Investment Pool
(Amounts are in thousands)

Investment Type	Amortized Cost	Investment Maturities (in Years) Less than 1	1 - 5
U.S. Agencies	$ 17,223	$ 15,070	$ 2,153
Commercial Paper	27,879	27,879	-
Money Market Mutual Funds	47,256	47,256	-
Total	$ 92,358	$ 90,205	$ 2,153

Custodial Credit Risk

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2008, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with it's obligations under the applicable securities lending agreement.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Bank deposits shall be with only banks that are on the state's approved depository list and have a short-term credit rating of at least A1/P1 from at least two rating agencies. The Pool may also invest in commercial paper with the highest rating category issued by one nationally recognized statistical rating organization and Aaa or AAA rated money market mutual funds.

The following table provides information on the credit quality ratings for investments in TrustINdiana as of June 30, 2008:

TrustINdiana - Local Government Investment Pool
(Amounts are in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Agencies	AAA	$ 17,223	Aaa	$ 17,223
Commercial Paper	A-1	27,879	P-1	27,879
Money Market Mutual Funds	AAA	47,256	Aaa	47,256
Total		$ 92,358		$ 92,358

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. Pursuant to I.C. 5-13-9-11(g)(7), TrustINdiana is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana. In addition, TrustINdiana limits its investments in any one issuer to 40% of net assets if the issuer is rated A1+/P1 and 25% of net assets if the issuer is rated A1/P1. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

There were no investments in any one issuer that represent 5% or more of the total Pool investments.

Securities Lending Credit Risk

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent under an agreement which requires the loaned securities to be collateralized in the form of (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in an amount at least equal to 102% of the current market value of the loaned securities. The net income earned through securities lending is recorded as additional income to the Pool.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

2. Pension Trust Funds – Primary Government

State Police Pension Fund

Investment Policy – The Indiana State Police Pension Trust was established in 1937 to provide pension, death, survivor, and other benefits to present and former employees of the department and their beneficiaries who meet the statutory requirements for such benefits.

Indiana Code 10-12-2-2(c), established the prudent investor standard as the primary statutory provision governing the investment of the Trust's assets. IC 10-12-2-2(c) reads as follows:

The trust fund may not be commingled with any other funds and shall be invested only in accordance with Indiana laws for the investment of trust funds, together with other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards.

The Treasurer of State, as Trustee, the Indiana State Police Department, and the Pension Advisory Board has adopted an Investment Policy Statement. The Investment Policy Statement is written to establish expectations, objectives and guidelines for the investment of the Fund's assets and to comply with investment statutes. One of the primary objectives of the Fund is to maximize total investment return within reasonable, unambiguous, and prudent levels of risk through sufficient levels of investment diversification.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The domestic fixed income managers' portfolios shall have an average credit quality of not lower than single A. All fixed income securities at the time of purchase shall have credit quality rating of no less than BBB. The guidelines applicable to the Domestic Core Fixed Income investment managers shall also apply to Domestic Core Plus Fixed Income managers except that at least 70% of the fixed income securities shall have a credit quality rating of no less than BBB and investments in high-yield and non-U.S. debt securities are permitted. Exposure should be limited to 20% high-yield and 20% non-U.S. debt with a combined exposure to those sectors not to exceed 30%.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities (in thousands) as of June 30, 2008:

State Police Pension
(Amounts in thousands)

	S & P		Moody's	
Investment Type	Ratings	Fair Value	Ratings	Fair Value
U.S. Treasuries	AAA	$ 3,737	Aaa	$ 3,737
U.S. Agencies	AAA	14,809	Aaa	14,809
Government Assets and Mortgage Backed Securities	AAA	30,813	Aaa	30,813
Collateralized Mortgage Obligations				
Corporate CMO's	AAA	67	Aaa	67
Government CMOs	AAA	12,172	Aaa	12,172
Corporate Bonds	AAA	2,269	Aaa	2,269
	AA	1,803	Aa	2,717
	A	6,381	A	3,728
	BBB	4,361	Baa	6,382
	BB	615	Ba	333
	B	1,476	B	1,162
	CCC & Below	414	CCC & Below	728
Corporate Asset Backed	AAA	21,797	Aaa	23,634
	AA	4,135	Aa	3,538
	A	1,777	A	3,876
	BBB	2,214	Baa	3,148
	BB	1,034	Ba	357
	NR	4,651	NR	1,055
Private Placements	AAA	373	Aaa	38
	AA	1,044	Aa	717
	A	146	A	847
	BBB	1,169	Baa	1,042
	BB	-	Ba	321
	B	399	B	166
Money Market Mutual Funds	AAA	19,899	Aaa	19,899
	NR	156,196	NR	156,196
Total		$ 293,751		$ 293,751

Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of a failure of a financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2008, the balance of the State Police Pension Trust deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk
The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the customer. None of the Indiana State Police Pension Trust's investments are exposed to custodial credit risk because they are held in the name of the Indiana State Police Pension Trust. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodian's failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with it's obligations under the applicable securities lending agreement.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Indiana State Police Trust has ten different investment managers. The purchase of securities in any one nongovernmental corporation shall be limited to an initial cost of 5% of the market value of an investment manager's portfolio. Additionally, the following limits are set to further limit credit exposure:

Large/Mid/Small Capitalization Equity Manager: equity holdings in any one company should not exceed 7.5% of the market value of the investment manager's portion of the Fund's portfolio. Equity holdings in any one industry should not exceed 25% of the market value of the investment manager's portion and equity holdings in any one sector should not exceed 35% of the investment manager's portfolio market value.

Non-US Equity Investment Manager: equity holdings in any one international company shall not exceed 7.5% of the total value of all investments in international equity securities and equity holdings in any one country shall not exceed 35% of all investments in international equity securities.

Domestic Core Fixed/ Domestic Core Plus/Hybrid Managers: securities of any one issuer are limited to not more that 5% of the investment manager's portion of the portfolio measured at market value. Securities backed by the full faith and credit of the United States Government or any of its instrumentalities shall not be subject to exposure limitations.

Investments in any one issuer that represent 5% or more of the total investments are:

FNMA: 5.30%, $18,915,744

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective to exceed the actuarial assumed interest rate of 7%. The duration of a fixed income manager's portfolio may not vary by more than 20% from the average duration of that manager's benchmark index.

The following table provides interest rate risk disclosure for the Indiana State Police Pension Fund (in thousands) as of June 30, 2008:

State Police Pension
(Amounts in thousands)

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6- 10	More than 10
U.S. Treasuries	$ 3,737	$ 100	$ 931	$ 328	$ 2,378
U.S. Agencies	57,794	5,660	850	3,561	47,723
Collateralized Mortgage Obligations					
Corporate CMO's	67	-	-	-	67
Corporate Bonds	17,319	689	6,153	5,321	5,156
Corporate Asset Backed	35,608	28	2,386	1,421	31,773
Private Placements	3,131	18	1,241	1,292	580
Money Market Mutual Funds	176,095	176,095	-	-	-
Total Fixed Income Securities	$ 293,751	$ 182,590	$ 11,561	$ 11,923	$ 87,677

3. *Pension Trust Funds – Discrete Component Units*

Public Employees' Retirement System

Investment Policy – The Indiana General Assembly enacted the prudent investor standard to apply to the PERF's Board of Trustees and govern all its investments. The primary governing statutory provision is that the PERF Board of Trustees must "invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." The PERF Board of Trustees is also required to diversify such investments in accordance with prudent investment standard.

Within these governing statutes, the PERF Board of Trustees has broad authority to invest the assets of the plans. The PERF Board of Trustees utilizes external investment managers, each with specific mandates to implement the investment program. Depending on the mandate and the contractual agreement with the investment manager, investments may be managed in separate accounts, commingled accounts, mutual funds or other structures acceptable to the PERF Board of Trustees.

The PERF Board of Trustees has established the following asset allocation strategy for the investments held in the Consolidated Retirement Investment Fund (CRIF):

Asset Classes	Target Norm	Allowable Ranges
Equities – Domestic	40%	35% - 50%
Equities – International	15%	10% - 20%
Equities – Global	10%	5% - 15%
Fixed Income – Core	15%	10% - 20%
Fixed Income – TIPS	5%	0% - 10%
Alternatives – Private Equity	8%	0% - 10%
Alternatives – Real Estate	3%	0% - 5%
Alternatives – Commodities	2%	0% - 5%
Alternatives – Absolute Return	2%	0% - 5%

Investments in the PERF annuity savings accounts and Legislators' Defined Contribution plan are directed by the members in each respective plan and as such the asset allocation will differ from that of the CRIF. The Pension Relief Fund is invested to a target of seventy percent Fixed Income – Core and thirty percent Equities – Domestic. The Special Death Benefit Funds are one hundred percent fixed income.

The following investment types, unless otherwise approved by the PERF Board of Trustees, are prohibited by the PERF investment policy statement IPS (IPS):

- Short sales of any kind.
- Repurchase agreements that may create any kind of leverage in the portfolio.
- Purchases of letter or restricted stock.
- Buying or selling on the margin.
- Purchases of futures and options.
- Purchases of derivative securities which have any of the following characteristics: leverage, indexed principal payment, or links to indices representing investments.
- Purchases of interest only or principal only collateralized mortgage obligations.
- Any transaction that would be a "prohibited transaction" under the Internal Revenue Code Section 503.
- Purchases of inverse floaters.

Deposit Risks – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the two demand deposit accounts are carried at cost and are insured up to $100,000 each. Deposits in the demand accounts held in excess of $100,000 are not collateralized. Deposits with the Indiana Treasurer of State are entirely insured. Deposits held with the investment custodian are collateralized with securities on loan that are held by the pledging financial institution.

Cash Deposits (in thousands)	Total	JP Morgan Chase	National City Bank
Demand deposit account – carrying value	$5,499.90	$1,482.20	$4,017.70
Demand deposit account – bank balance	27,989.80	23,459.50	4,530.30
Held with Treasurer of State	11,054.20	--	--
Held with Custodian:			
Cash	322.60	--	--

Credit Risk – PERF's IPS sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and as outlined in each portfolio manager contract. The guidelines and benchmarks are as follows: the fixed income portfolio (excluding TIPS) must maintain an average credit quality rating of at least A1 (Moody's) or the equivalent; securities must be rated at least Baa3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the PERF Board of Trustees; the benchmark for the fixed income portfolio is the Lehman Brothers Aggregate Bond Index; and the Treasury Inflation Protection Securities (TIPS) portfolio must substantially match the quality of its benchmark, the Lehman Brothers TIPS US Index. The quality rating of investments in debt securities as described by the Nationally Recognized Statistical Rating Organization (NRSRO) Standard and Poor's at June 30, 2008, is as follows ($ in millions):

Quality Rating	Fair Value	% of Portfolio
AAA	$2,647.70	60.7%
AA	128.50	3.0%
A	231.00	5.3%
A-1	161.50	3.7%
BBB	277.10	6.4%
BB	69.80	1.6%
B	45.40	1.0%
CCC	11.30	0.3%
Not rated	782.10	18.0%
Grand Total	**$4,354.40**	**100%**

The credit risk schedule includes debt securities, short-term money market funds, bond mutual funds and bond commingled funds. Of the total fair value reported, approximately $2.1 billion (47.9 percent) is AAA rated US Treasury, US Agency or US Agency Mortgage Backed Securities. The remaining balance of approximately $2.3 billion (52.1 percent) consists of corporate debt, short-term custodial money market funds, commingled or mutual funds, and asset-backed and mortgage-backed securities of various credit quality ratings.

Of the $782.1 million not rated by Standard & Poor's, approximately $81.3 million (10.4 percent of Not Rated), are rated by Moody's (another NRSRO) as follows: approximately $76.4 million are rated A3 or better, approximately $4.2 million are rated B3 through Baa2 and the balance of approximately $0.7 million are rated Ca through Caa1. Included in the Not Rated category are approximately $632.5 million (80.9 percent of Not Rated) in money market funds, mutual funds or commingled funds. The remaining balance of approximately $68.3 million (8.7 percent) is not rated by either Moody's or Standard and Poor's.

Custodial Credit Risk – Custodial credit risk is the risk that the PERF will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of PERF and are held by either the counterparty or the counterparty trust department's agent, but not in PERF's name.

There was no custodial credit risk for investments including investments related to securities-lending collateral as of June 30, 2008. Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5, all fund investments are held by banks under custodial agreements in the fund's name, and all custodians are domiciled in the United States and approved by the Indiana Department of Financial Institutions to act in a fiduciary capacity and manage custodial accounts in Indiana.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. PERF's IPS limits the purchase of securities of any one issuer, with the exception of the US Government and its agencies, to an initial cost of 5 percent of the market value of an investment manager's portfolio. Through capital appreciation, no such holding should exceed 7.5 percent of the market value of the total holdings of such investment manager's portfolio.

For investment managers contracted to manage concentrated portfolios, exposure to the securities issued by a single issuer, with the exception of the U.S. Government and its agencies, is limited to 7.5 percent of the investment manager's portfolio based upon initial cost and no more than 15 percent of the market value of the portfolio as a result of capital appreciation.

At June 30, 2008, there was no concentration of credit risk for the CRIF or separately managed fund portfolios.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. Duration is a measure of interest rate risk. The greater the duration of a bond or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration is an indicator of a bond price's sensitivity to a 100 basis point change in interest rates.

PERF's IPS sets duration guidelines for the fixed income investment portfolio that are linked directly, or indirectly, to the benchmark indices for each of its sub-asset classes and as outlined in each investment manager portfolio contract. Several sub-asset classes require that duration of the portfolio may not vary more than 20 percent above or below the duration of the applicable benchmark index.

Duration information is provided below (in millions):

Investment Type	Net Asset Fair Value	% of Net Asset Fair Value	Duration
Short Term Investment Fund	$492.10	10.9%	0.00
Government and Agency Obligations	1,173.80	25.9	7.00
Residential and Commercial Mortgage-Backed Securities	1,408.40	31.1	3.95
Corporate Bonds	789.60	17.5	5.57
Asset Backed	171.70	3.8	1.14
Municipal Securities	1.00	0.0	0.29
Other[1]	490.80	10.8	2.86
Total	**$4,527.40**	**100%**	**4.37**

[1] Includes mutual funds, collective trusts, and derivatives

PERF investments are directly, or indirectly, sensitive to changes in the interest rate environment. Some derivative products, identified in the derivatives financial instruments section, are also sensitive to interest rate risk. Debt securities, debt securities mutual funds and commingled funds, and short-term cash and cash-equivalents represent the portions of the portfolio most sensitive to interest rate risk and are included in the duration information.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. PERF's foreign currency exposure is focused primarily in international and global equity holdings. Futures currency contracts are reported in the following schedule at gross exposure value. Forward currency contracts values included both receivables and payables.

PERF's IPS refers to foreign currency guidelines that are linked directly, or indirectly, to the benchmark indices for each sub-asset class or as outlined in each portfolio manager contract. Certain fixed securities portfolio sub-asset classes allow for up to 20 percent investment in non-US dollar government and corporate securities. The equity portfolio sub-asset classes have specific guidelines for international equities and global equity investments. Certain sub-asset classes do not allow emerging markets investments while some allow up to 20 percent of market value to be held in emerging markets.

PERF has exposure to foreign currency fluctuation as follows (in millions):

Currency	Fair Value	% of Foreign Currency
Euro	$849.40	25.4%
Japanese Yen	542.00	16.2
Pound Sterling	490.80	14.6
Australian Dollar	176.60	5.3
Swiss Franc	134.90	4.0
Hong Kong Dollar	134.10	4.0
Other	1,021.10	30.5
Total	**$3,348.90**	**100%**

Securities Lending – Indiana Code 5-10.2-2-13(d) provides that the PERF Board of Trustees may authorize a custodian bank to enter into a securities lending program agreement under which securities held by the custodian on behalf of PERF may be loaned. The purpose of such a program is to provide additional revenue for PERF.

Statute requires that collateral initially in excess of the total market value of the loaned securities must be pledged by the borrower, and must be maintained at no less than the total market value of the loaned securities. The PERF Board of Trustees requires that collateral securities and cash be initially pledged at 102 percent of the market value of the securities lent. No more than 40 percent of the CRIF's total assets may be lent at one time. The custodian bank and/or its securities lending subagents provide 100 percent indemnification to the PERF Board of Trustees and the CRIF against borrower default, overnight market risk, and failure to return loaned securities. Securities received as collateral cannot be pledged or sold by the PERF Board of Trustees unless the borrower defaults. PERF retains the market value risk with respect to the investment of the cash collateral.

Cash collateral investments are subject to the investment guidelines specified by PERF's IPS. It states that the maximum weighted average days to maturity may not exceed 60. The average term to maturity of the cash collateral portfolio was approximately 11 days at June 30, 2008. The securities lending agent match the maturities of the cash collateral investments with stated securities loans' termination dates. Cash collateral received for open-ended loans that can be terminated on demand are invested with varying maturities.

The fair value of securities lent for cash collateral at June 30, 2008, was (in millions):

Investment Type	Loan Value
Government Obligation	$656.10
Corporate Bonds	48.30
Equities	1,332.40
Total Fair Value	**$2,036.80**

The credit quality of the cash collateral investments as described by Standard and Poor's at June 30, 2008, was (in millions):

Investments Quality Rating	Fair Value	Percent of Portfolio
A-1 and A-1+	$1,887.10	92.5
A3	31.00	1.5
Not rated	122.60	6.0
Total	**$2,040.70**	**100%**

The majority of A-1 and A-1+ collateral investments were medium-term corporate bonds. The majority of the Not Rated collateral investments are guaranteed investment contracts.

At June 30, 2008, PERF had loaned approximately $319 million US Treasury and government agency obligations for securities collateral. The securities collateral value was approximately $325.4 million which represented 102 percent coverage.

At fiscal year end, PERF has no credit risk exposure to borrowers because the amount it owes to the borrowers exceeds the amount owed by the borrowers.

Derivative Financial Instruments – PERF's IPS authorized investments in the absolute return allocation which may include derivatives. A derivative security is an investment whose payoff depends upon the value of other assets such as commodity prices, bond and stock prices, or market index. The fair value of investments in absolute return investments was approximately $362 million at June 30, 2008. PERF's directly held investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or buy a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the PERF Board of Trustees, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. During the year, PERF's derivative investments included foreign currency forward contracts, collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), treasury inflation protected securities (TIPS) and futures.

Foreign currency forward contracts are used to hedge against the currency risk in PERF's foreign stock and debt security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis.

At June 30, 2008, PERF's investments included the following currency forwards balances (in millions):

Forward Currency Contract Receivables	$275.60
Forward Currency Contract Payables	$276.50

PERF's debt securities managers invest in CMOs/REMICs to improve the yield or adjust the duration of the debt securities portfolio. As of June 30, 2008, the carrying value of the PERF's CMO/REMIC holdings was approximately $211.7 million.

TIPS are used by PERF's debt securities managers to provide a real return against inflation as measured by the Consumer Price Index. As of June 30, 2008, the carrying value of PERF's TIPS holdings was approximately $1.0 billion.

PERF's investment managers use financial futures to replicate an underlying security or index they wish to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, PERF's investment managers use futures contracts to adjust the portfolios risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio. Futures contracts may be used for the purpose of investing cash flows or modifying duration but in no event may leverage be created by any individual security or combination of securities. At June 30, 2008, PERF's notional value in these futures totaled approximately $674 million.

State Teachers' Retirement Fund (TRF)

Investment Policy - The Fund was established to provide retirement, disability, death, and termination benefits to present and former members of the Fund and their beneficiaries who meet the statutory requirements for such benefits. The Fund must be operated for the exclusive benefit of members and their beneficiaries, pursuant to Indiana law and the Internal Revenue Code. The Fund is required by Indiana law to meet all rules applicable to a qualified plan under Section 401 of the Internal Revenue Code, in order to provide the ensuing tax advantages to its members. In addition, the Fund is a trust, exempt from taxation under Section 501 of the Internal Revenue Code. The Fund is also governed by Indiana statutes and administrative rules. See IC 5-10.2 and IC 21-6.1

Whereas, the general assembly also believes that a prudent diversification of investments by public retirement funds is an essential element of a stringent investment standard for such funds and is critical for the future; and Whereas, the general assembly finds that numerous actuarial studies of retirement funds in Indiana and other states have demonstrated that, due to the long term nature of the investment made by public retirement funds, diversification of such investments in a responsible manner reduces risk, increases income, and improves security for such funds, while a lack of diversification results in reduced income and increased risk to the retirement funds, while creating a substantial additional burden for the taxpayers who ultimately bear the burden of providing the assets for such funds in the absence of sufficient investment income; and Whereas, the general assembly desires to pass a diversification rule patterned after the stringent federal law applicable to private plans, which will provide that the trustees of each fund must diversify the investments of their fund so as to minimize the risk of large losses. Thus, the primary governing statutory provision is that the Board must invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Board is also required to diversify such investments in accordance with prudent investment standards (IC 21-6.1-3-9).

It is the responsibility of the Board of Trustees to determine the allocation of assets among distinct capital markets in accordance with allowable legal limits.

The current strategic asset allocation is as follows:

Domestic Equities	35%
International Equities	20%
Private Equity	10%
Real Estate	8%
Absolute Return	7%
Fixed Income	20%
	100%

Credit Risk - The credit risk of investments is the risk that the issuer will default and not meet their obligation. This credit risk is measured by the credit quality ratings issued by national rating agencies such as Moody's and Standard and Poor's.

The following table (in thousands of dollars) provides information on the credit ratings associated with the Fund's investments in debt securities. Ratings were obtained from Moody's and when not rated by Moody's, Standard and Poor's was used.

Rating	Fair Value	Percentage of Portfolio
Aaa	$1,563,977	43.74%
Aa	179,745	5.03%
A	352,036	9.85%
Baa	557,636	15.60%
Ba	63,754	1.78%
B	48,681	1.36%
Caa	17,982	0.50%
Ca	5,453	0.15%
Unrated	786,125	21.99%
Total	$3,575,389	100.00%

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the Fund.

There was no custodial credit risk for investments including investments related to securities-lending collateral. Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5, all fund investments are held by banks under custodial agreements, all custodians are domiciled in the United States and approved by the Indiana Department of Financial Institutions to act in a fiduciary capacity and manage custodial accounts in Indiana.

Deposit Risks – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the demand deposit account are carried at cost and are insured up to $100,000 each. Deposits in the demand accounts held in excess of $100,000 are not collateralized. Deposits with the Treasurer of State are entirely insured. Cash Deposits held with the custodian are carried at cost and are not insured or collateralized.

Cash Deposits (in thousands)	**Total Fair Value**
Demand deposit account – bank balance	$86,113
Demand deposit account – book balance	4,099
Held with Treasurer of State	4,155
Cash held with Custodian	142,427

Concentration of Credit Risk – At June 30, 2008, TRF did not have investments in any one issuer, other than securities issued or guaranteed by the U.S. government that represented more than 5% of net investments.

Interest Rate Risk – The Fund uses the Lehman Brothers Aggregate Index (LBA) as the benchmark for performance measurement of their fixed income managers. TRF's investment policy states that each fixed income manager must manage their portfolio so that the duration is no less than 80% and no more than 120% of the duration of the index.

Foreign Currency Risk – As of June 30, 2008, 14.59% of the Fund's investments were in foreign currencies. The table below breaks down the Fund's exposure to each foreign currency (in thousands of dollars):

Currency	**Total Fair Value**	**Percentage of Total Fund Fair Value**
Euro Currency Unit	$501,210	5.93%
British Pound Sterling	140,707	1.66%
Japanese Yen	193,626	2.29%
Swiss Franc	59,733	0.71%
Canadian Dollar	107,484	1.27%
Hong Kong Dollar	36,699	0.43%
Australian Dollar	7,882	0.09%
Norwegian Krone	62,041	0.73%
South Korean Won	17,250	0.20%
Swedish Krona	61,613	0.73%
Other	46,773	0.55%
Totals	$1,235,018	14.59%

The following is a summary of the Interest Rate Risk Disclosure for Teachers' Retirement Fund as of June 30, 2008 (amounts are in thousands):

As of June 30, 2008, TRF had the following debt investments and maturities (Amounts are in thousands).

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More than 10**
Short term investment funds	$ 519,487	$ 519,487	$ -	$ -	$ -
Short term bills and notes	170,801	170,801	-	-	-
Commercial paper	33,657	33,657	-	-	-
Asset backed securities	85,138	56,268	19,702	9,168	-
Commercial Mortgage-Backed Securities	514,465	12,882	259,095	242,488	-
Corporate bonds	1,396,568	404,590	556,125	355,219	80,634
U.S. Agencies	192,658	9,325	47,418	88,505	47,410
U.S. Treasuries	91,308	-	51,313	16,034	23,961
Government Mortgage Backed Securities	1,341,376	16,724	548,687	770,068	5,897
Municipal/provincial bonds	2,332	1,306	-	308	718
Collateralized Mortgage Obligations	76,999	14,308	52,790	9,295	606
Total	**$ 4,424,789**	**$ 1,239,348**	**$ 1,535,130**	**$ 1,491,085**	**$ 159,226**

Securities Lending – State statutes and the Board of Trustees permit the Fund to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Fund's custodial bank manages the securities lending program and receives securities or cash as collateral. The Fund's custodial bank maintains a list of broker-dealers that have passed their credit analysis and are eligible to borrow securities. In addition the Fund can have any borrower removed from this list by requesting the custodian not lend to this borrower. The collateral securities cannot be pledged or sold by the Fund unless the borrower defaults, but cash collateral may be invested by the Fund. Collateral securities and cash are initially pledged at 102% of the market value of domestic securities lent and 105% on international securities lent. Collateral is adjusted to the market on a daily basis. No more than 40% of TRF's total assets may be lent at any one time. At year-end, TRF has no credit risk exposure to borrowers because the amount TRF owes the borrowers exceed the amounts the borrowers owe TRF.

Approximately 25% of the securities loans can be terminated on demand either by the Fund or by the borrower, although generally the average term of these loans is one day. Total cash collateral of $1,217 million is invested in a pooled fund.

As of June 30, 2008, the Fund had the following securities on loan (in thousands):

Security Type	Market Value of Loaned Securities Collateralized by Cash	Market Value of Loaned Securities Collateralized by Noncash	Total Securities Loaned
Global Equities	$ 192,405	$ 15,155	$ 207,560
Global Fixed	8,125	--	8,125
U.S. Agencies	157,940	--	157,940
U.S. Corporate Fixed	187,170	--	187,170
U.S. Equities	499,544	8,198	507,742
U.S. Gov't Fixed	135,769	7,708	143,477
Total	$1,180,953	$31,061	$1,212,014

Outstanding Short Sales - Short sales occur when investments have been sold which are not yet owned by the fund. Prior to settlement of the sale, the investments will be procured. For the investments directly held by the fund within the custody accounts, the outstanding short sales are included as accounts receivable from sales of investments and as negative investments. A schedule of the negative investments at June 30 is listed below. The repurchase agreements reduced the cash equivalent investments and the remaining listed investments reduced the debt securities investments shown on the balance sheet. These transactions involve market risk as the asset to be delivered may become more costly to procure and then losses would be realized.

A schedule of the outstanding short sales at June 30, 2008 follows (dollars in thousands):

Type of Investment:	
Repurchase agreements	$ 8,474
U.S. Treasuries	860,305
Index Linked Govt Bonds	5,927
Government Mortgage Backed	404
Total	$ 875,110

Derivative Financial Instruments – TRF invested in derivative financial investments as authorized by Board policy. A derivative security is an investment whose payoff depends upon the value of other assets such as commodity prices, bond and stock prices, or market index. TRF's investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. During the year, TRF's derivative investments included cash and cash equivalent futures, equity derivatives-options, fixed income derivatives – options, rights/warrants, swaps, foreign currency forward contracts, collateralized mortgage obligations (CMOs), treasury inflation protected securities (TIPS), and futures.

TRF's investment managers use financial futures to replicate an underlying security or index they wish to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Additionally, TRF's investment managers use futures contracts to adjust the portfolios risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. At June 30, 2008 the total offset was $704.2 million. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio.

Cash and cash equivalent futures are used to manage exposure at the front end of the yield curve. These include swaps with duration of one (1) year or less, and Eurodollar, Euribor and other futures based on short-term interest rates. At June 30, 2008, TRF's notional value in these instruments totaled $81.4 million and an offset of equal value of $81.4 million.

Equity derivatives – options are used to gain exposure to an index or market sector. These may offer an opportunity to outperform due to active management of the liquid portfolio backing the exposure. Exposure is backed by underlying fixed-income portfolio. At June 30, 2008, TRF's equity derivatives position had a notional value of $334.5 million and an offset of an equal value of $334.5 million.

Fixed income derivatives – futures are used to manage interest rate fluctuations. At June 30, 2008, TRF's fixed income futures had a notional value of $288.4 million and an offset of equal value of $288.4 million.

Stock Rights/Warrants give the holder the right to buy a stock at a certain price until a certain date. At June 30, 2008, the carrying value of TRF's stock rights and warrants totaled $4.6 million.

Swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions ("received fixed") increase exposure to long-term interest rates; short positions ("pay fixed") decrease exposure. At June 30, 2008, the market value of TRF's swaps was $14.1 million and swap liabilities totaled $23.5 million.

Foreign currency contracts are used to hedge against currency risk and to purchase investments in non-dollar currencies. A foreign currency contract is an agreement to buy and sell a specific amount of foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency contracts are marked to market on a daily basis. At June 30, 2008, TRF had Pending Foreign Exchange purchases of $500.0 million and Pending Foreign Exchange sales of $499.8 million.

TRF's fixed income managers invest in CMOs to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2008, the carrying value of the TRF's CMO holdings totaled $77.0 million.

Treasury inflation protected securities (TIPS) are used by TRF's fixed income managers to provide a real return against inflation (as measured by the Consumer Price Index). As of June 30, 2008, TRF had $1.4 million in TIPS holdings.

TRF has two investment accounts that use absolute return strategies. One account uses a Pure Alpha strategy, where value is added through a broadly diversified active portfolio of global fixed income, currency, equity, inflation-indexed bond, EMD, EMFX, and Option markets. As of June 30, 2008, TRF had $127.1 million invested in this strategy. The other account is based on the concept of mean reversion. This strategy uses both top-down and bottom-up valuation methodologies to value asset classes, countries and individual securities in order to allocate assets to undervalued countries, currencies and securities. As of June 30, 2008, TRF had $121.3 million invested in this strategy.

Partnership Investments – The Board of Trustees had approved commitments and TRF had entered into agreements to fund limited liability partnerships of $798.7 million as of June 30, 2008. The Fund had a net asset value of $297.3 million as of June 30, 2008 invested in these partnerships. The funding period for the amounts that TRF has already committed is from April 2002 to approximately June 2018. The outstanding commitments at June 30, 2008, totaled $318.5 million.

Subsequent Events – The financial markets experienced significant volatility subsequent to the June 30, 2008 fiscal year end, due to the credit market crisis and concerns about global recession and other market factors. Despite government support designed to keep the global financial system from collapsing, steep declines and periodic boosts in value were experienced indicating a continued uncertainty of global market conditions.

As a basis of reference, based on unaudited reports from Northern Trust, the value of the TRF portfolio has declined approximately 22 percent as of November 30, 2008 as compared to the June 30, 2008 fiscal year end value. In light of this significant market decline, any judgment of the system's financial position should be based on current information rather than fiscal year end.

The TRF investment philosophy continues to focus on broadening the diversification of the portfolio. Over a long-term horizon, the investment fund is expected to have more protection from fluctuating market conditions as a result of the multi-year diversification plan adopted by the board in fiscal year 2007.

B. Interfund Transactions

Interfund Loans

Interfund loans of $63.3 million represents amounts owed by the Bureau of Motor Vehicles Commission Fund to the Motor Vehicle Highway Fund.

As explained in Note III(B) above, temporary cash overdrafts in various funds are reported as interfund loans from the General Fund. As of June 30, 2008, the following funds had temporary cash overdrafts covered by loans from the General Fund: the Motor Vehicle Highway Fund, $12.4 million, Welfare Medicaid Administration Fund, $23.3 million, the Property Tax Reduction Fund, $100.7 million, the County Welfare Administration, $1.8 million, the Federal Food Stamp Program Fund, $9.8 million, and the Major Construction Army National Guard Fund, a non-major capital projects fund, $3.0 million.

The following is a summary of the Interfund Loans as of June 30, 2008:

Interfund Loans - Current

	Loans To Governmental Funds	Loans From Governmental Funds
Governmental Funds		
General Fund	$ 150,989	$ -
Motor Vehicle Highway Fund	63,277	12,405
Medicaid Assistance Fund	-	-
State Highway Department	-	-
Nonmajor Governmental Funds	-	201,861
Total Governmental Funds	214,266	214,266
Total Interfund Loans	$ 214,266	$ 214,266

Interfund Services Provided/Used

Interfund Services Provided of $11.3 million represents amounts owed by various governmental funds to the Institutional Industries Fund and the Administrative Services Revolving Funds, both internal service funds, for goods and services rendered.

The following is a schedule of Interfund Services Provided/Used as of June 30, 2008:

Interfund Services Provided/Used

	Interfund Services Provided To Governmental Funds	Interfund Services Used By Governmental Funds
Governmental Funds		
General Fund	$ -	$ 3,102
Motor Vehicle Highway Fund	-	2,656
State Highway Department	-	782
Tobacco Settlement Fund	-	4
Nonmajor Governmental Funds	-	4,758
Total Governmental Funds	-	11,302
Proprietary Funds		
Internal Service Funds	11,302	-
Total Proprietary Funds	11,302	-
Total Interfund Services Provided/Used	$ 11,302	$ 11,302

Due From/Due Tos

Current – Interfund balances of $31.0 million represent the total of payment delays from the General Fund to the seven discretely presented colleges and universities throughout the State of Indiana. The Interfund balance of $35.8 million represents the accrued distribution amount from the State Lottery Commission to the Build Indiana Fund. In addition, interfund balances of $3.5 million represent the amount owed by the Integrated Public Safety Commission to the Indiana Finance Authority. The Indiana Finance Authority owed $339 thousand to governmental funds with $313 thousand due the General Fund and the balance of $26 thousand due non-major governmental funds.

Non-current – The interfund balance of $50.0 million represents funds the General Fund borrowed in June 2004, interest free, from the Indiana Board for Depositories, a discretely presented component unit. This money is due to be repaid, either from the General Fund prior to January 1, 2013, or by a budget request submitted to the 2013 session of the general assembly. This non-current interfund balance appears on the government-wide statements, but not the General Fund statements.

The following are current and non-current schedules of Due From/Due Tos of Component Units, as of June 30, 2008:

Component Units - Current

	Due From Primary Government	Due To Component Units	Due From Component Units	Due To Primary Government
Governmental Funds				
General Fund	$ -	$ 31,028	$ 313	$ -
Nonmajor Governmental Funds	-	3,533	35,775	-
Total Governmental Funds	-	34,561	36,088	-
Component Units				
Indiana University	12,172	-	-	-
Purdue University	8,595	-	-	-
Nonmajor Universities	10,261	-	-	-
Indiana Finance Authority	3,533	-	-	339
State Lottery Commission	-	-	-	35,749
Total Component Units	34,561	-	-	36,088
Total Due From/To	**$ 34,561**	**$ 34,561**	**$ 36,088**	**$ 36,088**

Component Units - Non-current

	Due From Primary Government	Due To Component Units	Due From Component Units	Due To Primary Government
Governmental Funds				
General Fund	$ -	$ 50,000	$ -	$ -
Total Governmental Funds	-	50,000	-	-
Component Units				
Board for Depositories	50,000	-	-	-
Total Component Units	50,000	-	-	-
Total Due From/To	**$ 50,000**	**$ 50,000**	**$ -**	**$ -**

Transfers of a member's reserves are made between the State Teachers' Retirement Fund (TRF) and the Public Employees' Retirement Fund (PERF) when a member has service at the time of retirement that is covered by both funds. Service covered by PERF and the related Annuity Savings Account balance will be used by TRF at the time of retirement in calculating the member's retirement benefit from TRF if the member was last employed in a TRF covered position. If the member was last employed in a PERF covered position, PERF will use the member's TRF service and Annuity Savings Account balance. At the time the retirement benefit is calculated TRF sets up a receivable from PERF (Due from component unit) for both the Annuity Savings Account balance and the calculated reserve for the service credit brought in from PERF. This receivable is included as a line item in the "Receivables" section of TRF's Statement of Fiduciary Net Assets. On the reverse side, TRF recognizes a payable (Due to component unit) in the Liabilities section of the Statement of Fiduciary Net Assets for TRF amounts used in calculating a PERF retiree's benefit. The reverse of the above holds true for PERF.

The following is a schedule of Due From/ Due Tos within Component Units, as of June 30, 2008:

Within Component Units	Due From Component Units	Due To Component Units
Discretely Presented Component Units Pension Trust:		
Pension Trust		
Public Employees' Retirement Fund	$ 588	$ 2,910
State Teachers' Retirement Fund	2,910	588
Total Discretely Presented Component Units Pension Trust	3,498	3,498
Total Due From /To	$ 3,498	$ 3,498

Interfund Transfers

Major Governmental Funds

Transfers constitute the movement of money from the fund that receives the resources to the fund that utilizes them. These numerous transfers generally result from legislation passed by the Indiana General Assembly that directs how the transfers are made. In the case of the General Fund, many appropriations are made in the General Fund and then transferred during the year to the funds where these appropriations are used. Also in the case of the General Fund, various taxes and other revenues are collected in other funds and transferred to the General Fund. Following are the principal purposes of the State's interfund transfers:

General Fund – The General Fund had the following transfers in: $1.7 billion was transferred in to reimburse the General Fund for the Property Tax Replacement Fund's (PTRF) share of tuition support per legislation. Another $112.9 million was transferred in from the PTRF to close out its balance at fiscal year end. $21.3 million came from the PTRF instead of being distributed to Marion County. This money was applied to Marion County's juvenile detention charges delinquent balance. $209.8 million in tax collections was transferred in from the Collections Fund for personal and corporate income taxes and sales taxes. The General Fund's Motor Vehicle Excise Tax Replacement Account received $236.2 million in transfers in from the Build Indiana Fund per legislation. The General Fund also received $103.7 million in transfers in from the Mental Institutions Fund. This was reimbursement for the Medicaid expenses that the General Fund incurred throughout the year. $74.7 million was received from the Public Welfare-Medicaid Assistance Fund for the quality assessment (QA) fees collected throughout the fiscal year and for the disproportionate share hospital (DSH) program. Of the total received from the Public Welfare-Medicaid Assistance Fund, $38.8 million was for the DSH program, $19.7 million was for the QA fees which can only be used for the state's share of Medicaid services under Title XIX of the Social Security Act, and $16.2 million was a reduction to Medicaid's state appropriation. $46.4 million was transferred in from the state payroll income tax and $16.2 was transferred in from the county option income tax. $42.5 million was transferred in from the

Tobacco Settlement Fund for health and welfare purposes. $37.5 million was transferred in from the U.S. Public Health Service Fund primarily as a result of returning unused state funds by the Indiana Department of Environmental Management. Nearly $27.0 million was received from the Abandoned Property Fund primarily to transfer the balance in excess of $500,000 to the General Fund pursuant to state law.

The following were transfers out from the General Fund: $1.7 billion was transferred to the Medicaid Assistance Fund for Medicaid and disability and the disproportionate share hospital (DSH) program. $736.3 million was transferred from the General Fund to the PTRF. The General Fund also transferred $7.8 million to the PTRF in riverboat tax credits per IC 6-3.1-20-7. $181.8 million represents state appropriation transfers out to the State Student Assistance Commission of Indiana to make awards to Hoosier students under the Frank O'Bannon Grant Program (includes the former Higher Education Award and Freedom of Choice Award). $85.9 million, $98.9 million, and $103.6 million of grant appropriations were transferred from the General Fund to the Welfare-State and Federal Assistance Fund, the Mental Health Center Fund, and the DCS Local Office Administration Fund, respectively. In addition, $99.2 million in grant appropriations were transferred to the County Welfare Administration Fund.

$25.3 million went to the Common School Principal Fund to post repayment of construction loans for schools rather than distributing their appropriations to them. $53.6 million was transferred from the General Fund to the Motor Vehicle Highway Fund for State Police expenditures, pensions, and overtime. $38.2 million represents appropriation transfers out to the Welfare-Medicaid Administration Fund. Another $20.9 million of grants were transferred to the Title XX Fund for aging, community service, and welfare $33.1 million for administration and awards went to the 21st Century Scholars Fund. $34.9 million was transferred for the 21st Century Research and Tech fund. $23.1 million of grants were transferred to the Vocational Rehabilitation Fund for vocational rehabilitation and case management. Grant and appropriations of $55.8 million were transferred to the Welfare-Work Incentive Fund for the Family and Social Services Administration (FSSA) and Temporary Assistance for Needy Families (TANF). $20.8 million represents grant appropriation and interest transfers for the Central Reimbursement Office (CRO) Program Administration, the Electronic Benefits Transfer Project, Support of Enforcement Tracking, and Revenue Recovery in the Title 4D Social Security Fund. $16.3 million was transferred to the riverboat admissions tax fund.

Motor Vehicle Highway Fund – The Motor Vehicle Highway Fund received a transfer in of $75.0 million from the Major Moves Construction Fund for road construction and maintenance distributions to be made to counties, cities, and towns. $30.0 million was transferred in from the Bureau of Motor Vehicles Holding Account, representing vehicle licenses and fees. $53.6 million was transferred in from the General Fund to reimburse the Motor Vehicle Fund for expenses it incurred for the State Police. $67.0 million was transferred in from the International Registration Plan fund and represents Indiana's share of revenues collected under this plan. $30.9 million was transferred in from the Gasoline and Special Fuel Tax fund for distribution to counties, cities, and towns per IC 6-6-1.1-801.5(c). $5.9 million was transferred in from the Motor Carrier Regulation Fund.

Transfers out included $300.8 million to the State Highway Department Fund. By legislation the remainder of the amount in the Motor Vehicle Highway Fund, after distributions to cities, towns, and counties, and after other legislative required transfers, goes to the State Highway Department Fund. $27.5 million was transferred out to the Underground Petroleum Storage Tank (UPST) Excess Liability Fund. This represents fees, fines and penalties assessed to owners of underground storage tanks. $14.0 million was motor carrier surtaxes transferred out to the Road and Street Primary Highway Fund.

Medicaid Assistance Fund – The Medicaid Assistance Fund had a transfer in of $1.7 billion from the General Fund to support the state Medicaid program administered through the Office of Medicaid Policy and Planning. $100.6 million was transferred in from the Mental Health Center Fund for funds collected from providers of services to the seriously mentally ill for the local/State set-aside match. $99.6 million was transferred in from the Medicaid Indigent Care Trust for reimbursement of hospital care for the indigent supplement payments made from the Medicaid Assistance Fund. There was also a transfer in of $30.0 million from the Tobacco Settlement Fund for the Children's Health Insurance Program (CHIP Assistance).

Transfers out included $65.2 million to the Mental Institutions Fund for Medicaid DSH providers and $74.7 million to the General Fund. Of the total transferred to the General Fund, $38.8 million was paid to the state psychiatric hospitals for disproportionate share hospital payments, $19.7 million went to the State Budget Agency for qualifying assessment fees that can only be used for the state's share of Medicaid services under Title XIX of the Social Security Act, and $16.2 million was a reduction of the state Medicaid program's state appropriation.

$10.2 million was transferred to the Medicaid Administration Fund to support administration of the program.

Major Moves Construction Funds – The Major Moves Construction Fund had a transfer out of $100.0 million to the State Highway Department for construction and maintenance of the State's highways, roads, and bridges. In addition, $75.0 million was transferred out to the Motor Vehicle Highway Fund for distributions to be made to counties, cities, and towns for road construction and maintenance.

State Highway Department Fund – The State Highway Department had the following major transfers in: $300.8 million was transferred in from the Motor Vehicle Highway Fund for use by the Indiana Department of Transportation for maintenance services, access road construction, and the research and highway extension program. This is a legislative transfer as described above under the Motor Vehicle Highway Fund. $158.2 million was transferred in from the Road and Street Primary Highway Fund's collection of motor fuel taxes, motor carrier surtaxes, and vehicle licenses. $100.0 million was transferred in from the Major Moves Construction Fund as described above for the Major Moves Construction Fund.

The State Highway Department had the following major transfers out: $24.8 million was transferred to the Indiana Department of Transportation of which $19.8 million was for its intermodal operations and $5.0 million was for use in the leasing of the state's highway infrastructure assets. $2.2 million was transferred to the Indiana Department of Environmental Management's Underground Petroleum Storage Tank Excess Liability Trust Fund.

Property Tax Replacement Fund – The Property Tax Replacement Fund (PTRF) received the following transfers in: $713.6 million in income and sales taxes and tax credits withheld from riverboat admissions tax distributions; $522.2 million in reimbursement from the General Fund for tuition support; and $582.9 million in gaming taxes from the State Gaming Fund. Another $32.5 million in sales taxes were collected in the Tax Collection Fund and transferred to the PTRF.

The PTRF had the following transfers out: $1.7 billion was transferred to reimburse the General Fund for the PTRF's share of tuition support per legislation. $112.9 million was a fiscal year end closing entry to transfer the remaining balance in the Property Tax Replacement Fund to the General Fund. $80.4 million of wagering tax was transferred out to the Build Indiana Fund per legislation. $13.6 million was transferred to the Indiana Horse Racing Commission, State Fair Commission, and Division of Mental Health from the supplemental riverboat admission tax.

Tobacco Settlement Fund – The Tobacco Settlement Fund received transfers totaling $1.8 million from the State's General Fund. $1.3 million of this total represented appropriation transfers from community mental health and the balance of $0.5 million was the return of unspent FY08 appropriations for the cancer registry, AIDS education, and other health maintenance purposes.

The Tobacco Settlement Fund had the following major transfers out: $42.5 million was for health and welfare purposes in the General Fund. $30.0 million was for the Children's Health Insurance Program (CHIP Assistance). Another 7.0 million was transferred out to support grants to the mental health community for support of seriously mentally ill adults.

Proprietary Funds

Non-Major Enterprise Funds

The Inns and Concessions Fund – This fund had transfers in of $3.7 million, representing cash contributions from the Department of Natural Resources (DNR) in the General Fund for capital projects at the DNR Inns.

Internal Service Funds

$2.8 million was transferred from the General Fund to the Institutional Industries Fund, an internal Service Fund. This transfer represent a return of funds which were previously transferred to the General Fund per legislation at the end of the prior fiscal year

$14.0 million was transferred at year end to the General Fund from the Institutional Industries Fund. This was transferred at the end of the current fiscal year per legislation.

Administrative Services, an internal service fund, received a capital contribution of $2.3 million resulting from the transfer of two airplanes from two other state agencies. One airplane was received from the Indiana State Police with a net book value of $2.2

million and the other airplane was received from the Indiana Department of Transportation with a NBV of $0.1 million.

A summary of interfund transfers for the year ended June 30, 2008 is as follows:

	Operating transfers in	Operating transfers (out)	**Net transfers**
Governmental Funds			
General Fund	$ 2,710,985	$ (4,169,456)	**$ (1,458,471)**
Motor Vehicle Highway Fund	272,320	(353,980)	**(81,660)**
Medicaid Assistance	1,925,968	(151,851)	**1,774,117**
Major Moves Construction Fund	1,304	(175,000)	**(173,696)**
State Highway Department	591,143	(29,532)	**561,611**
Property Tax Replacement Fund	1,854,445	(1,945,486)	**(91,041)**
Tobacco Settlement Fund	1,771	(87,205)	**(85,434)**
Nonmajor Governmental Fund	2,088,703	(2,526,578)	**(437,875)**
Proprietary Funds			
Inns and Concessions	3,699	-	**3,699**
Internal Service Funds	2,880	(14,130)	**(11,250)**
Total	$ 9,453,218	$ (9,453,218)	**$ -**

C. Taxes Receivable/Tax Refunds Payable

Taxes Receivable/Tax Refunds Payable as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			
	General Fund	**Special Revenue Funds**	**Capital Projects Funds**	**Total Primary Government**
Income taxes	$ 1,114,091	$ 9,618	$ -	**$ 1,123,709**
Sales taxes	921,045	15,066	-	**936,111**
Fuel taxes	-	119,379	-	**119,379**
Gaming taxes	50	14,116	-	**14,166**
Inheritance taxes	40,305	-	-	**40,305**
Alcohol and tobacco taxes	33,617	18,698	2,154	**54,469**
Insurance taxes	8,236	14	-	**8,250**
Financial institutions taxes	-	13,848	-	**13,848**
Other taxes	8,838	43,233	-	**52,071**
Total taxes receivable	2,126,182	233,972	2,154	**2,362,308**
Less allowance for uncollectible accounts	(295,937)	(27,508)	(58)	**(323,503)**
Net taxes receivable	**$ 1,830,245**	**$ 206,464**	**$ 2,096**	**$ 2,038,805**
Tax refunds payable	**$ 39,764**	**$ 5,733**	**$ -**	**$ 45,497**

D. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2008, was as follows:

Primary Government – Governmental Activities

Governmental Activities:	Balance, July 1, As restated	Increases	Decreases	Balance, June 30
Capital assets, not being depreciated:				
Land	$ 1,254,154	$ 65,231	$ (2,930)	$ 1,316,455
Infrastructure	7,590,780	183,281	(25,370)	7,748,691
Construction in progress	316,652	653,469	(246,086)	724,035
Total capital assets, not being depreciated	9,161,586	901,981	(274,386)	9,789,181
Capital assets, being depreciated:				
Buildings and improvements	1,435,753	34,654	(22,742)	1,447,665
Furniture, machinery, and equipment	385,041	43,835	(33,581)	395,295
Infrastructure	14,235	-	-	14,235
Total capital assets, being depreciated	1,835,029	78,489	(56,323)	1,857,195
Less accumulated depreciation for:				
Buildings and improvements	(707,279)	(34,008)	8,390	(732,897)
Furniture, machinery, and equipment	(236,732)	(32,157)	29,814	(239,075)
Infrastructure	(12,920)	(201)	-	(13,121)
Total accumulated depreciation	(956,931)	(66,366)	38,204	(985,093)
Total capital assets being depreciated, net	878,098	12,123	(18,119)	872,102
Governmental activities capital assets, net	$ 10,039,684	$ 914,104	$ (292,505)	$ 10,661,283

Primary Government – Business-Type Activities

Business-Type Activities:	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, not being depreciated:				
Construction in progress	-	3,056	-	3,056
Total capital assets, not being depreciated	-	3,056	-	3,056
Capital assets, being depreciated:				
Buildings and improvements	$ 21,897	$ 94	$ -	$ 21,991
Furniture, machinery, and equipment	811	-	-	811
Total capital assets, being depreciated	22,708	94	-	22,802
Less accumulated depreciation for:				
Buildings and improvements	(10,874)	(555)	-	(11,429)
Furniture, machinery, and equipment	(728)	(28)	-	(756)
Total accumulated depreciation	(11,602)	(583)	-	(12,185)
Total capital assets being depreciated, net	11,106	(489)	-	10,617
Business-type activities capital assets, net	$ 11,106	$ 2,567	$ -	$ 13,673

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	3,870
Public safety		26,199
Health		2,676
Welfare		5,946
Conservation, culture and development		8,564
Education		1,244
Transportation		17,867
Total depreciation expense - governmental activities	$	66,366
Business-type activities:		
Inns and Concessions	$	583
Total depreciation expense - business-type activities	$	583

E. Leases

The future minimum lease obligations, the net present value of these minimum lease payments as of June 30, 2008 and the assets acquired through capital leases are as follows:

Future minimum lease payments

Year ending June 30,	Operating leases	Capital leases Governmental Activities
2009	$ 23,322	$ 105,282
2010	15,522	104,980
2011	11,726	104,770
2012	8,071	103,111
2013	5,841	101,023
2014-2018	5,669	506,511
2019-2023	750	511,599
2024-2028	75	500,498
2029-2033	-	103,292
2034-2038	-	342
Total minimum lease payments (excluding executory costs)	**$ 70,976**	**2,141,408**
Less:		
Remaining premium(discount)		(29,073)
Amount representing interest		(790,742)
Present value of future minimum lease payments		**$ 1,321,593**

Assets acquired through capital lease

Land	$ -
Infrastructure	1,304,660
Building	39,476
Machinery and equipment	2,008
less accumulated depreciation	(22,357)
	$ 1,323,787

Operating Leases
The State leases building and office facilities and other equipment under non-cancelable operating leases. Total payments for such leases with aggregate payments of $20,000 or more were $30.4 million for the year ended June 30, 2008. A table of future minimum lease payments (excluding executory costs) is presented on the previous page.

Capital Leases Liabilities
The State has entered into various lease agreements with aggregate payments of $20,000 or more to finance the acquisition of buildings, land and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the government-wide statements.

F. Long-Term Obligations

Changes in long-term obligations for the primary government for the year ended June 30, 2008 were as follows:

Changes in Long-Term Obligations	Balance, July 1, as Restated	Increases	Decreases	Balance, June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities:						
Compensated absences	$ 135,686	$ 14,554	$ (1,855)	$ 148,385	$ 80,522	$ 67,863
Due to component unit	119,601	-	(35,040)	84,561	34,561	50,000
Net pension obligation	10,326	836	(329)	10,833	-	10,833
Other postemployment benefits	-	35,745	-	35,745	-	35,745
Intergovernmental payable	267,656	30,301	(85,000)	212,957	152,957	60,000
Claims liability	-	-	-	-	-	-
Capital leases	1,333,098	26,720	(38,225)	1,321,593	41,153	1,280,440
	$ 1,866,367	$ 108,156	$ (160,449)	$ 1,814,074	$ 309,193	$ 1,504,881
Business-type activities:						
Compensated absences	$ 406	$ 196	$ (179)	$ 423	$ 186	$ 237
Claims liability	52,430	465	(3,184)	49,711	2,737	46,974
	$ 52,836	$ 661	$ (3,363)	$ 50,134	$ 2,923	$ 47,211

Long term obligations of governmental activities include capital lease obligations of governmental funds as presented in Note IV(E), net pension obligations for the State Police Retirement Fund and the Prosecuting Attorney's Retirement Fund as presented in Note V(E), amounts due to component units, amounts due the federal government and compensated absence obligations. The General Fund typically has been used to liquidate other long-term liabilities.

Long-term obligations of the business-type activities consist of claims liability of the Indiana Residual Malpractice Insurance Authority and compensated absences of the Inns and Concessions Fund.

Revenue bonds are issued by entities established by statute as corporate and politic units with the separate legal authority to finance certain essential governmental functions. Income from the acquired or constructed assets is used to pay debt service.

G. Prior Period Adjustments and Reclassifications

For the fiscal year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the State of Indiana. These prior period adjustments and restatements are reflected in the beginning net assets in the government-wide statement of activities.

Prior Period Adjustments
In the fund statements for the General fund and the government-wide statements, there is an increase of $120.6 million in fund balance/net assets for the overstatement of a transfer of cash to the Local Distributions agency fund.

In the fund statements for the Special Revenue funds and the government-wide statements, there is a decrease of $90.7 million in fund balance/net assets of the Medicaid Assistance fund. This is due to an understatement of the Medicaid payable in 2007.

In the fund statements for the Special Revenue funds and the government-wide statements, there is a decrease of $8.8 million in fund balance/net assets for a non-significant discretely presented component unit that was erroneously included as a Special Revenue fund.
For the government-wide statements, there is a decrease of $28.5 million in net assets for Department of Administration (DoA) work in process. This was the result of projects that had been completed prior to June 30, 2007, but were not indicated as finished projects in DoA's work in process system.

For the government-wide statements, there was an increase of $41.5 million in net assets for capital assets. This was the result of several State agencies not capitalizing capital assets acquired prior to June 30, 2007, by that date.

For the government-wide statements, there is a decrease of $3.5 million in net assets for land that was overstated.

For the Internal Service funds and the government-wide statements, there is an increase of $3.7 million in net assets for the Administrative Services fund as a result of a miscalculation of asset values.

For the fiduciary funds, beginning net assets for the Teachers' Retirement Fund were reduced $6.9 million for a correction of an error. The bank issued revised statements which were not initially known to correct investment values.

For the discrete component units, there is a decrease of $15.5 million for Ball State University due to a reclassification of assets between the University and its foundation.

The following schedule reconciles June 30, 2007 net assets as previously reported, to beginning net assets, as restated:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Discretely Presented Component Units (Non Fiduciary)
June 30, 2007, fund balance/retained earnings/net assets as reported	$ 18,092,018	$ 353,481	$ 25,596,185	$ 7,921,964
Correction of errors	35,345	-	(6,950)	-
Reclassifications of funds	-	-	-	(15,504)
Balance July 1, 2007 as restated	$ 18,127,363	$ 353,481	$ 25,589,235	$ 7,906,460

V. OTHER INFORMATION

A. Risk Management

The State of Indiana is exposed to various risks of loss. This includes damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, errors, omissions and theft by employees, certain employee health benefits, employee death benefits, and unemployment and worker's compensation costs for State employees.

The State records an expenditure for any loss as the liability is incurred or replacement items are purchased. The State purchases commercial insurance related to certain employee health benefits and also some insurance coverage exists for DNR Inns properties. The State also purchases immaterial amounts of commercial insurance related to errors, omissions, and theft by employees. Settlements related to commercial insurance have not exceeded coverage in the past three fiscal years.

The State does have risk financing activity for the State employees' disability, certain State employees' health benefits, and certain health, disability and death benefits for State Police officers. These are reported in three individual Internal Service Funds.

The State employees' disability program is financed partially by State employees through payroll withholdings and by the funds from which employees are paid. The employees' health benefits and the State Police traditional health plan are funded by the employees who have selected certain health care benefit packages and the funds from which those employees are paid. (An insurance carrier does provide claims administration services for the health insurance programs.)

Located below is the table of claim liabilities. The liabilities are not maintained in the accounting records of the State. The claim liabilities for the health insurance programs and the State Disability fund were estimated based on the historical experience rate of claims paid that were for service dates incurred during a prior fiscal year. The surplus retained earnings in these funds are reserved for future catastrophic losses.

	State Police Health Insurance Fund	State Employees' Health Insurance Fund	State Employee Disability Fund	Total
2008				
Unpaid Claims, July 1	$ 2,050	$ 18,209	$ 3,631	**$ 23,890**
Incurred Claims and Changes in Estimate	25,044	223,677	23,816	**272,537**
Claims Paid	(24,211)	(211,748)	(23,166)	**(259,125)**
Unpaid Claims, June 30	**$ 2,883**	**$ 30,138**	**$ 4,281**	**$ 37,302**
2007				
Unpaid Claims, July 1	$ 1,517	$ 15,767	$ 4,155	**$ 21,439**
Incurred Claims and Changes in Estimate	21,807	199,268	23,845	**244,920**
Claims Paid	(21,274)	(196,826)	(24,369)	**(242,469)**
Unpaid Claims, June 30	**$ 2,050**	**$ 18,209**	**$ 3,631**	**$ 23,890**

B. Contingencies and Commitments

Litigation

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

With respect to tort claims only, the State's liability is limited to: (A) three hundred thousand dollars ($300,000) for a cause of action that accrues before January 1, 2006; (B) five hundred thousand dollars ($500,000) for a cause of action that accrues on or after January 1, 2006, and before January 1, 2008; or (C) seven hundred thousand dollars ($700,000) for a cause of action that accrues on or after January 1, 2008, for injury or death of one person in any one occurrence and $5 million for injury or death of all persons in that occurrence.

The Indiana Attorney General's office estimates a total payment for liabilities and litigation expenses of $8.8 million to be made from the Tort Claim Fund during the next fiscal year. During the fiscal year ending June 30, 2008, the State paid $6.6 million for settlements, judgments, claims and litigation expenses from the Tort Claim Fund.

The following is a summary of certain significant litigation and claims currently pending against the State involving amounts exceeding $5 million individually or in the aggregate. This summary is not exhaustive, either as to the description of the specific litigation or claims described or as to all of the litigation or claims currently pending or threatened against the State.

The Indiana Attorney General's office is currently handling the following cases that could result in significant liabilities to the State:

In 1968, in United States of America, et al v. Board of School Commissioners, et al, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since 1978 the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The federal court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998 the parties negotiated an 18-year phase out of the desegregation plan that was approved by the Court. State expenditures will be gradually reduced as the plan is phased out.

In July 1993 Plaintiffs filed a breach of employment contract lawsuit in a state trial court alleging that the State has failed to pay certain similarly classified State employees at an equal rate of pay from 1973 to 1993. The court certified Plaintiffs' class, and class notification is complete. Plaintiffs seek to recover damages as well as attorneys' fees and costs. Mediation was unsuccessful. A claims-made basis class action settlement was preliminarily approved in August 2008 with an $8.5 million settlement cap (inclusive of fees and costs). Since the State's total liability for claims, attorneys' fees and expenses exceeded $8.5 million, the State exercised its option to terminate the Settlement Agreement and the case proceeds to trial. If Plaintiffs prevail the exposure to the State could be $25 million to $200 million. The court ordered mediation date has been set for February 5, 2009 and the bench trial date was reset for March 9 through 12, 2009.

In May 2000 Plaintiffs along the Fawn River in Northeastern Indiana brought action against the State alleging violations of the Clean Water Act, unconstitutional takings of property and federal civil rights violations. Plaintiffs are seeking in excess of $38 million in damages, costs and attorney fees. The federal trial court granted summary judgment in favor of the State, but Plaintiffs appealed. A federal appeals court remanded the case to the trial court on one issue under the federal Clean Water Act. The parties have completed discovery on that issue and prepared briefs in support of new motions for summary judgment for consideration by the trial court. An order denying the State's motion for summary judgment and entering summary judgment in favor of Plaintiffs (on liability) was issued. The parties have to file a joint status report, following a teleconference with the court, as to how this case will proceed. An independent surveyor is assessing the Fawn River which may take a year to conduct. This matter has been reassigned to outside counsel. The District Court ruled in favor of Plaintiffs request for attorney's fees and awarded nearly $1million interim fees and costs. Defendants filed a motion to alter or amend the Order, which motion the Court denied. Plaintiffs also filed a motion for order to pay judgment, which the Court granted. Defendants shall pay the interim award directly to Plaintiffs' counsel of record and the other parties, according to their relative interest in the proceeds, by April 2009.

In December 2000 Plaintiffs filed an action against the Indiana Department of Environmental Management (IDEM), including the Office of Environmental Adjudication (OEA), claiming that denial of a permit for certain land use was an unconstitutional taking of property and a denial of due process under the United States Constitution, as well as a violation of the Indiana Constitution. Plaintiffs are seeking in excess of $30 million in damages plus costs and attorney fees. Federal claims against OEA were dismissed by the federal court. Remaining federal claims are expected to be taken up after the state court acts. Plaintiffs are attempting to negotiate a settlement that would grant them a landfill permit. The State is monitoring the permit process as a component of the settlement. The enactment of SB 43 now requires Plaintiffs to submit a new application with the approval of the county executive. In June 2008 IDEM sent a letter to Plaintiffs asking for the re-submission of the permit with evidence of approval by the county executive. In August 2008 Plaintiffs filed a Motion For Judgment Finding Total Breach of the Settlement Agreement, alleging IDEM and the Indiana legislature are liable for damages. Hearing held in October 2008 under advisement.

Other Contingencies

The Office of Inspector General (OIG) has issued three audit reports that are dated April 2007 through October 2008 on Indiana's Medicaid Assistance Program. Findings in these reports identify several issues including rehabilitation services not in compliance, state psychiatric hospitals that were ineligible to receive Medicaid DSH payments, and unreported Medicaid overpayments. The possible loss contingency for these findings totals $124 million which is the amount the OIG recommends be repaid. FSSA management is working to arrange a settlement of these findings. It is unknown how much of this loss contingency, if any, will have to be repaid to the federal government.

C. Other Revenue

Other revenue represents revenue received which cannot accurately be included with any of the other revenue sources. In most cases, the amount of "other revenue" received by a fund is insignificant in comparison with total revenues received.

D. Economic Stabilization Fund

In 1982 the Indiana General Assembly adopted Indiana Code 4-10-18, which established the Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund").

This fund was established to assist in stabilizing revenue during periods of economic recession and is accounted for within the State general fund.

Each year the State Budget Director determines calendar year Adjusted Personal Income (API) for the State and its growth rate over the previous year, using a formula determined by the legislature.

In general, monies are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2%; monies are removed automatically from the Rainy Day Fund if API declines by more than 2%. All earnings from the investments of the Rainy Day Fund remain in the Rainy Day Fund. If the balance in the fund at the end of the fiscal year exceeds 7% of total general fund revenues for the same period, the excess is transferred from the Rainy Day Fund into the Property Tax Replacement Fund.

Loans can be made from the Rainy Day Fund to local units of government for specific purposes. The Rainy Day Fund cash and investment balance at the end of fiscal year 2008 was $363.0 million. Total outstanding loans were $15.9 million, resulting in total assets of $378.9 million.

E. Employee Retirement Systems and Plans

The State of Indiana sponsors eight public employee retirement systems (PERS) that are included in the State's financial statements. They are reported and administered as described in Note I(A).

Summary of Significant Accounting Policies (Primary government and discretely presented component units)

The accrual basis is used for financial statement reporting purposes. Receivables are not maintained on the accounting records, but are calculated or estimated for financial statement reporting purposes. Throughout the year, the investments are maintained on the accounting records at the net asset value per the custodian banks. The custodian banks maintain records of the detailed holdings and accounts that comprise the net asset value. At fiscal year end, the accounting records and financial statements recognize investment receivables and payables using investment unit trust accounting. Investments of defined benefit plans are reported at fair value. Short-term investments are reported at market value when available, or at cost, which approximates fair value.

Securities traded on a national or international exchange are valued at the official closing price at current exchange rates. Collective trust funds' fair values are determined by the fair value per share of the pool's underlying portfolio as provided by the trustee. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Values for limited partnership interests are those estimates most recently provided by the general manager, plus or minus cash flows transacted since the valuation date. Investments that do not have an established market are reported at estimated fair value.

The State sponsors the following defined benefit single-employer plans:

State Police Retirement Fund (Presented as a pension fund)

Plan Description The State Police Retirement Fund (SPRF) is a defined benefit, single-employer PERS, and is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Indiana Code 10-12-2-2 grants authority to the Department to establish and operate an actuarially sound pension plan governed by a pension trust. It also authorizes the Department to make annual contributions as necessary to prevent any deterioration in the actuarial status of the trust.

Funding Policy The pre-1987 plan required employee contributions of five percent of the salary of a sixth-year trooper. The 1987 plan applies to all officers hired after June 30, 1987. In addition, State police officers hired prior to July 1, 1987 could elect to be covered under this plan if the employee filed an election with the trustee before July 1, 1989. Participants under the 1987 plan contribute six percent of their monthly salary.

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost actuarial method. Normal cost is funded on a current basis. Under the terms of the Trust Agreement, in the event the Department fails to make the minimum contribution for five successive years, the Trust shall terminate and the fund shall be liquidated. The unfunded actuarial accrued liability is funded over a forty-year period. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level percentage of payroll method. The funding policy for normal cost and unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

Funded Status and Funding Progress As of June 30, 2008, the most recent actuarial valuation date, the plan was 88 percent funded. The actuarial accrued liability for benefits was $438.5 million, and the actuarial value of assets was $386.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of $51.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $65.4 million, and the ratio of the UAAL to the covered payroll was -79 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (ECRP) is a defined benefit single-employer plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The retirement fund is for certain employees of the Indiana Department of Natural Resources, Indiana Alcohol and Tobacco Commission, and any Indiana state excise police officer, Indiana state conservation enforcement officer, gaming agent or any gaming control officer who is engaged exclusively in the performance of law enforcement duties.

The Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan provides retirement, disability, and survivor benefits. Indiana Code 5-10-5.5 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy Members are required by statute to contribute 4 percent of the member's annual salary to the Plan. The State of Indiana, as employer, is required by statute to contribute the remaining amount necessary to actuarially fund the benefits. The funding policy for employer contributions of the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan provides for biennial appropriations authorized by the Indiana General Assembly, which when combined with anticipated member contributions are sufficient to actuarially fund benefits (normal cost), amortize the unfunded accrued liability for thirty years, and prevent the State's unfunded accrued liability from increasing.

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the plan was 77 percent funded. The actuarial accrued liability for benefits was $74.4 million, and the actuarial value of assets was $57.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of $17.0 million. The covered payroll (annual payroll of active employees covered by the plan) was $17.7 million, and the ratio of the UAAL to the covered payroll was -96 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Prosecuting Attorneys' Retirement Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The Prosecuting Attorneys' Retirement Fund (PARF) is a defined benefit single-employer plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The Prosecuting Attorneys' Retirement Fund provides retirement, disability, and survivor benefits for individuals who serve as a prosecuting attorney, chief deputy prosecuting attorney, or certain other deputy prosecuting attorneys paid by the state of Indiana on or after January 1, 1990.

These individuals' salaries are paid from the General Fund of the State of Indiana. Indiana Code 33-39-7 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy Contributions made by or on the behalf of members are not actuarially determined but are set by statute at six percent (6%) of wages. The amount required to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendations of an actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the plan was 74 percent funded. The actuarial accrued liability for benefits was $32.1 million, and the actuarial value of assets was $23.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of $8.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $18.1 million, and the ratio of the UAAL to the covered payroll was -46 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Legislators' Retirement System – Legislators' Defined Benefit Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The Legislators' Defined Benefit Plan (IC 2-3.5-4), a single-employer defined benefit plan, applies to each member of the Indiana General Assembly who was serving on April 30, 1989 and filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Benefit Plan provides retirement, disability and survivor benefits. The plan is administered by the Board of Trustees of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy The amount required by the funding policy to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendation of the actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the plan was 97 percent funded. The actuarial accrued liability for benefits was $5.2 million, and the actuarial value of assets was $5.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.1 million. The benefit formula is determined based on service rather than compensation. The unfunded liability per active participant was $3,117 per active participant as of the most recent actuarial valuation.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Judges' Retirement System (Presented as part of PERF – a discretely presented component unit)

Plan Description The Judges' Retirement System (JRS) is a defined benefit single-employer public employee retirement system administered by the Board of Trustees of the Public Employees'

Retirement Fund, and is governed by IC 33-38-6, 33-38-7, and IC 33-38-8. The Judges' Retirement System provides retirement, disability, and survivor benefits. Coverage is for any person who has served, is serving or shall serve as a regular judge of any of the following courts: Supreme Court of the State of Indiana; Circuit Court of any Judicial Circuit; Indiana Tax Court; or county courts including Circuit, Superior, Criminal, Probate, Juvenile, and Municipal Courts. The system consists of two plans: the 1977 system and the 1985 system. IC 33-38-7 applies to judges who began service before September 1, 1985. IC 33-38-8 applies to judges beginning service after August 31, 1985. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy Member contributions are established by statute at six percent of total statutory compensation paid by the state of Indiana, deducted from the member's salary and remitted by the Auditor of State. However, no contribution is required and no such amounts shall be paid by the member for more than 22 years of service.

Employer contributions are determined by the Indiana General Assembly as biennial appropriations from the State's General Fund. Indiana Code 33-38-6-17 provides that this appropriation only include sufficient funds to cover the aggregate liability of the fund for benefits to the end of the biennium, on an actuarially funded basis. The statutes also provide for remittance of docket fees and court fees. These are considered employer contributions.

Funded Status and Funding Progress As of June 30, 2007, the most recent actuarial valuation date, the plan was 75 percent funded. The actuarial accrued liability for benefits was $284.0 million, and the actuarial value of assets was $211.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $72.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $29.7 million, and the ratio of the UAAL to the covered payroll was -243 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The State sponsors the following defined benefit agent multiple-employer plan:

Public Employees' Retirement Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The Public Employees' Retirement Fund (PERF) is a defined benefit agent multiple-employer plan administered by the Public Employees' Retirement Fund Board of Trustees. PERF provides retirement, disability, and survivor benefits. Indiana Code 5-10.2 and 5-10.3 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf. At June 30, 2008, the number of participating political subdivisions was 1,204.

Funding Policy The State of Indiana and any political subdivision that elects to participate in the PERF fund is obligated by statute to make contributions to the plan. The required contributions are determined by the PERF Board of Trustees based on actuarial investigation and valuation. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities. In addition, employers must remit quarterly payment of the amortization of the initial prior service cost. The amortization period is forty years for those employers whose effective date of participation was before 1997. The amortization period for employers joining thereafter will be reduced 1 year per year until 2007 when it will be leveled at 30 years. Effective July 1, 2002, the amortization period for all employers is thirty years.

Contributions made by or on the behalf of members are not actuarially determined but are set by statute at three percent (3%) of compensation. These contributions are credited to the member's annuity savings account that is a separate benefit from the defined pension benefit. The State is required to contribute for State employees at an actuarially determined rate; the current rate is 6.3% of covered payroll.

Funded Status and Funding Progress Funded status and funding progress information is being disclosed for both State of Indiana and municipal employee portions of the plan. The funded status and funding progress information presented is for non-retired assets.

State of Indiana Employees: As of June 30, 2007, the most recent actuarial valuation date, the state employees portion of the plan was 101 percent funded. The actuarial accrued liability for benefits was $2.3 billion, and the actuarial value of assets was $2.4 billion, resulting in an excess actuarial accrued liability (UAAL) of $15.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $1.6 billion, and the ratio of the excess AAL to the covered payroll was 1 percent.

For Municipal Employees: As of June 30, 2007, the most recent actuarial valuation date, the municipal employees' portion of the plan was 93 percent funded. The actuarial accrued liability for benefits was $3.4 billion, and the actuarial value of assets was $3.2 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $234.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $2.8 billion, and the ratio of the unfunded AAL to the covered payroll was 8 percent.

Overall Plan: As of June 30, 2007, the most recent actuarial valuation date, the PERF plan including both State of Indiana and municipal employee portions and retired and non-retired assets was 98 percent funded. The actuarial accrued liability for benefits was $12.4 billion, and the actuarial value of assets was $12.2 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $218.9 million. The covered payroll (annual payroll of active employees covered by the plan) was $4.4 billion, and the ratio of the unfunded AAL to the covered payroll was 5 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost and Net Pension Obligation The annual pension cost and net pension obligations, the significant actuarial assumptions, and three-year historical trend information of the single and agent multiple employer defined benefit plans are as follows:

(amounts expressed in thousands)	Primary Government	-----Discretely Presented Component Unit-----					
	SPRF	PERF -State	PERF-Municipal	ECRF	JRS	PARF	LRS
Annual Pension Cost and Net Pension Obligation (Asset)							
Annual required contribution	$ 9,173.9	$ 96,430.2	$ 182,183.0	$ 3,127.5	$ 12,249.5	$ 1,043.5	$ 120.0
Interest on net pension obligation	602.5	(4,393.0)	(9,516.5)	(24.0)	(965.9)	124.7	(12.9)
Adjustment to annual required contribution	(693.6)	5,006.0	10,844.8	27.4	1,100.7	(142.1)	18.5
Annual pension cost	9,082.8	97,043.2	183,511.3	3,130.9	12,384.3	1,026.1	125.6
Contributions made	(9,412.2)	(89,800.5)	(163,951.2)	(3,358.7)	(14,661.6)	(190.0)	(100.0)
Increase (decrease) in net pension obligation	(329.4)	7,242.7	19,560.1	(227.8)	(2,277.3)	836.1	25.6
Net pension obligation, beginning of year	8,607.0	(60,591.0)	(131,262.6)	(331.3)	(13,322.4)	1,719.5	(177.9)
Net pension obligation, end of year	$ 8,277.6	$ (53,348.3)	$ (111,702.5)	$ (559.1)	$ (15,599.7)	$ 2,555.6	$ (152.3)
Significant Actuarial Assumptions							
Investment rate of return	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
Projected future salary increases:							
Total	7.20%	4.00%	Based on PERF experience 1995-2000	4.50%	4.00%	4.00%	3.00%
Attributed to inflation	*	*	*	*	*	*	*
Cost of living adjustments	N/A	1.50%	1.50%	1.50%	N/A	N/A	1.50%
Contribution rates:							
State/Political Subdivisions	15.80%	6.30%	7.10%	20.75%	33.80%	5.75%	20.00%
Plan members	6.00%	3.00%	3.00%	4.00%	6.00%	6.00%	5.00%
Actuarial valuation date	7/1/2008	7/1/2007	7/1/2007	7/1/2007	7/1/2007	7/1/2007	7/1/2007
Actuarial cost method	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	entry age normal cost	accrued benefit (unit credit)
Amortization method	level percent	level dollar	level dollar	level dollar	level dollar	level dollar	level dollar
Amortization period	40 years	30 years	30 years	30 years	30 years	30 years	30 years
Amortization period (from date)	7/1/1997	7/1/2002	7/1/2002	7/1/2002	7/1/2006	N/A	7/1/1992
Amortization period (open or closed)	closed	closed	open	closed	closed	closed	closed
Asset valuation method	smoothed basis	75% of expected actuarial value plus 25% of market value	75% of expected actuarial value plus 25% of market value	smoothed market value	smoothed market value	smoothed market value	smoothed market value
Historical Trend Information							
Year ended June 30, 2008							
Annual pension cost (APC)	9,082.8	*	*	*	*	*	*
Percentage of APC contributed	103.6%	*	*	*	*	*	*
Net pension obligation (asset)	8,277.6	*	*	*	*	*	*
Year ended June 30, 2007							
Annual pension cost (APC)	$ 9,361.2	$ 97,043.2	$ 183,511.3	$ 3,130.9	$ 12,384.3	$ 1,026.1	$ 125.6
Percentage of APC contributed	129.4%	92.5%	89.3%	107.3%	118.4%	18.5%	79.6%
Net pension obligation (asset)	$ 8,607.0	$ (53,348.3)	$ (111,702.5)	$ (559.1)	$ (15,599.7)	$ 2,555.6	$ (152.3)
Year ended June 30, 2006							
Annual pension cost (APC)	$ 12,611.3	$ 88,720.0	$ 163,545.3 **	$ 2,715.0	$ 15,058.1	$ 942.2	$ 96.3
Percentage of APC contributed	59.8%	82.2%	92.2%	92.0%	89.9%	18.0%	103.8%
Net pension obligation (asset)	$ 11,361.6	$ (60,591.0)	$ (131,262.6) **	$ (331.3)	$ (10,985.7)	$ 1,719.5	$ (177.9)
Year ended June 30, 2005							
Annual pension cost (APC)	$ 12,055.2	$ 70,498.0	$ 134,838.2	$ 1,868.1	$ 10,180.9	$ 884.0	$ 90.2
Percentage of APC contributed	69.6%	89.0%	109.3%	115.9%	133.0%	108.7%	227.8%
Net pension obligation (asset)	$ 6,286.0	$ (76,421.0)	$ (144,081.2)	$ (548.2)	$ (14,867.2)	$ 947.4	$ (174.2)

SPRF - State Police Retirement Fund
PERF - Public Employees' Retirement Fund
ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF board of trustees)
JRS - Judges' Retirement System (Administered by the PERF board of trustees)
PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF board of trustees)
LRS - Legislators' Retirement System (Administered by the PERF board of trustees)
N/A - not applicable
* - information not available
** - net pension obligation and annual pension cost for PERF-Municipal for the year ended June 30, 2006 were restated.

The State sponsors the following cost-sharing multiple-employer plans:

State Teachers' Retirement Fund (Presented as a discretely presented component unit)

Plan Description The State Teachers' Retirement Fund (STRF), is a defined benefit, multiple-employer cost-sharing PERS, administered by the Indiana State Teachers' Retirement Fund Board of Trustees. Indiana Code 5-10.4-2 governs the requirements of the Fund. The Indiana State Teachers' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana State Teachers' Retirement Fund, 150 West Market Street, Suite 300, Indianapolis, IN 46204, by calling 317-232-3860, or at STRF's website, www.in.gov/trf.

At June 30, 2008, the number of participating employers was 390.

Funding Policy Each member is required to contribute 3% of his/her compensation to the plan. Each school corporation contributes the employer's share to the Fund for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995 (post July 1, 1995 plan). The employer's share of contributions for certified personnel who are not employed under a federally funded program or were hired before July 1, 1995 is considered to be an obligation of, and is paid by, the State of Indiana (pre July 1, 1995 plan). The State Teachers' Retirement Fund has a total unfunded actuarial liability as of June 30, 2007, of $10.3 billion. Indiana law provides that the STRF is on a "pay-as-you-go" basis. The Indiana General Assembly appropriated sufficient funds to provide for the State's estimated liability for the current year. These appropriations include revenues from the State Lottery Commission.

1977 Police Officers' and Firefighters' Pension and Disability Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The 1977 Police Officers' and Firefighters' Pension and Disability Fund (PFPF) is a defined benefit, multiple employer cost sharing public employees retirement system administered by the Public Employees' Retirement Fund Board of Trustees. PERF provides retirement, disability, and survivor benefits. Indiana Code 36-8-8 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

At June 30, 2008, the number of participating employer units totaled 161 (which include 256 police and fire departments).

Funding Policy A participant is required by statute to contribute six percent of a first class officer's or firefighter's salary for the term of their employment up to 32 years. Employer contributions are determined actuarially and the current rate is twenty-one percent of the salary of a first-class officer or firefighter. The funding policy mandated by statute requires quarterly remittances of member and employer contributions based on percentages of locally established estimated salary rates, rather than actual payroll.

The annual required contributions, percentage contributed, and three-year historical trend information, for the cost sharing, multiple-employer plans are as follows:

	Discretely Presented Component Units	
	STRF	PFPF*
Historical Trend Information		
Year ended June 30, 2008		
Annual required contribution	$ 800,059.3	$ 108,740.7
Percentage contributed	101%	113%
Year ended June 30, 2007		
Annual required contribution	$ 742,882.0	$ 102,964.0
Percentage contributed**	101%	139%
Year ended June 30, 2006		
Annual required contribution	$ 672,555.5	$ 97,286.4
Percentage contributed**	104%	112%

STRF - State Teachers' Retirement Fund
PFPF - 1977 Police Officers and Firefighters' Retirement Fund (Administered by PERF)

* - year ended December 31
** - Restated percentage contributed for STRF and PFPF for June 30, 2007 and PFPF for June 30, 2006.

The State sponsors the following defined contribution plan:

Legislators' Retirement System – Legislators' Defined Contribution Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The Legislators' Defined Contribution Plan (IC 2-3.5-5), a single employer defined contribution plan applies to each member of the General Assembly who was serving April 30, 1989 and files an election under IC 2-3.5-3-1(b), and each member of the General Assembly who is elected or appointed after April 30, 1989. The plan is administered by the Board of Trustees' of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5th Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, www.in.gov/perf.

Funding Policy For the Legislators' Defined Contribution Plan, each participant is required to contribute five percent of his annual salary. In addition, the State of Indiana is required to contribute 20% of the member's annual salary on behalf of the participant.

F. Other Postemployment Benefits

Defined Benefit Plans

Plan Descriptions The State of Indiana sponsors and contributes to four single-employer defined benefit healthcare plans: State Personnel Plan (SPP); Legislature Plan (LP); Indiana State Police Plan (ISPP); and the Conservation and Excise Police Plan (CEPP). The SPP and LP are administered by the State Personnel Department. The Indiana State Police administer the ISPP. The CEPP is administered by the Indiana State Excise Police and Indiana Conservation Officers Health Insurance Committee. All four plans provide medical plan health care benefits to eligible State employee retirees and beneficiaries. The medical benefits provided to retirees are the same benefit options afforded active employees. Benefit provisions for each plan are established and may be amended by Indiana Code 5-10-8 *et seq*. Separate financial reports are not issued for these plans.

Funding Policy and Annual OPEB Cost The contribution funding policy for each of the four plans is on a pay-as-you-go cash basis. The State of Indiana's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The State of Indiana's annual OPEB cost for the current year and the related information for each plan are as follows (dollar amounts in thousands):

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Contribution rates:				
State of Indiana	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Plan members (monthly premium)	See next chart	See next chart	See next chart	See next chart
Annual required contribution	$ 7,231	$ 492	$ 34,275	$ 3,965
Interest on net OPEB obligation	-	-	-	-
Amortization adjustment to ARC	-	-	-	-
Annual OPEB Cost	7,231	492	34,275	3,965
Contributions made	(1,636)	(276)	(7,408)	(898)
Change in net OPEB obligation	5,595	216	26,867	3,067
Net OPEB obligation - beginning of year	-	-	-	-
Net OPEB obligation - end of year	$ 5,595	$ 216	$ 26,867	$ 3,067

The plan administrators (see plan descriptions above) establish the contribution requirements of plan members. Plan members (retirees and eligible dependents) who participate in these healthcare plans must pay the full 2008 monthly premiums (except for grandfathered LP current retirees) as shown in the following chart.

Contribution rates:	State Personnel Healthcare Plan (SP)		Legislature's Healthcare Plan (LP)		Indiana State Police Healthcare Plan (ISPP)		Conservation and Excise Police Health Care Plan (CEPP)	
Plan members (monthly premium)	Single	Family	Single	Family	Retiree Only	Retiree plus One Dependent	Retiree Only	Retiree and Spouse
High Deductible Health Plan #1	$ 256.78	$ 792.07	$ 256.78	$ 792.07	N/A	N/A	N/A	N/A
High Deductible Health Plan #2	328.06	959.83	328.06	959.83	N/A	N/A	N/A	N/A
Anthem Traditional II	492.97	1,355.70	492.97	1,355.70	N/A	N/A	N/A	N/A
Wellborn HMO	406.11	1,118.01	406.11	1,118.01	N/A	N/A	N/A	N/A
Medical (Pre-Medicare)	N/A	N/A	N/A	N/A	$ 197.13	$ 241.21	$ 64.88	$ 87.92
Medical (Post-Medicare)	N/A	N/A	N/A	N/A	89.02	87.24	-	-

The State of Indiana's annual OPEB cost, the percentage of annual OPEB cost contributed , and the net OPEB obligation for June 30, 2008 (the first year of OPEB reporting) and the two preceding years for each of the plans were as follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
State Personnel Healthcare Plan	6/30/2008	$ 7,231	22.6%	$ 5,595
Legislature's Healthcare Plan	6/30/2008	492	56.1%	216
Indiana State Police Healthcare Plan	6/30/2008	34,275	21.6%	26,867
Conservation and Excise Police Health Care Plan	6/30/2008	3,965	22.7%	3,067

Funded Status and Funding Progress The funded status of the plans as of June 30, 2008, was as follows (dollar amounts in thousands):

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial accrued liability (a)	$ 62,190	$ 7,950	$ 329,292	$ 42,836
Actuarial value of plan assets (b)	-	-	-	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 62,190	$ 7,950	$ 329,292	$ 42,836
Funded ratio (b)/(a)	0.0%	0.0%	0.0%	0.0%
Covered payroll (c)	$ 1,130,900	N/A	N/A	$ 12,900
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a)-(b)]/(c))	5.5%	N/A	N/A	332.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

	State Personnel Healthcare Plan	Legislature's Healthcare Plan	Indiana State Police Healthcare Plan	Conservation and Excise Police Health Care Plan
Actuarial valuation date	6/30/2007	6/30/2007	6/30/2007	6/30/2007
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open	Level dollar amount, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Investment rate of return	4.5%	4.5%	4.5%	4.5%
Projected salary increases	4.0%	4.0%	4.0%	4.0%
Healthcare inflation rate	9.2%	9.2% pre-65 & 10.0% post-65	9.2% pre-65 & 10.0% post-65	9.2% pre-65 & 10.0% post-65

Defined Contribution Plan

Plan Description The State of Indiana sponsors one single employer defined contribution OPEB plan titled the State of Indiana Retirement Medical Benefits Account Plan (Plan). The State established this Plan as a benefit to employees who retire and are eligible for and have received a normal, unreduced or disability retirement benefit (as determined by statutes and codes governing a State public employee retirement fund). Qualified retirees of the State are eligible to receive retirement medical benefits from this Plan. Retirees' and/or covered dependents' qualifying health insurance and medical costs are eligible for reimbursement from their reimbursement account, subject to Plan conditions and limitations.

Plan Provisions Benefit provisions for this plan are established or may be amended by the State legislature. The State Budget Agency of the State of Indiana is the administrator of the Plan pursuant to Senate Bill 501 (Indiana Code 5-10-8.5). The Plan establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants' medical insurance after retirement. Benefits are entitled to be received from this account for a participant who: a) is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under the Public Employees' Retirement Fund; or b) has completed at least 10 years of service as an elected or appointed officer; or c) has completed at least 15 years of service with the state for an employee. A surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.

Contributions The State is required to make annual contributions to the account based on the following schedule:

Employee's Age	Annual State Contributions
Less than 30	$500
At least 30, but less than 40	$800
At lest 40, but less than 50	$1,100
At least 50	$1,400

An additional bonus contribution is to be made upon a participant's retirement with normal unreduced benefits if the retirement occurs between July 1, 2007 and July 1, 2017, and the retiree on the last day of service has completed at least 15 years of service or 10 years of service as an elected or appointed officer. The additional bonus contribution amount is one thousand dollars ($1,000) multiplied by the participant's years of service (rounded down to the nearest whole year).

This plan is being considered as a defined contribution individual account for GASB 45 purposes. The employer subsidy is defined in terms of an annual contribution to an individual account. Plan assets are maintained in the State Retiree Health Plan Fund. Currently this fund does not meet the technical definition of a qualified OPEB trust and it may be accessed for non-retiree health purposes. The State Budget Agency is currently reviewing the federal and state requirements to set up qualified OPEB trusts with the ultimate goal of creating such a trust for this plan.

For the fiscal year ending June 30, 2008, the State contributed $38.0 million to the State Retiree Health Fund on behalf of eligible active employees. Another $18.1 million was contributed on behalf of eligible retired employees. The total contribution for the fiscal year was $56.1 million. The retiree contribution includes the bonus contributions of $1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements. The annual required contribution for the year is $56.1 million.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress
Employee Retirement Systems and Plans

(amounts expressed in thousands)	Primary Government	-------------------------------------Discretely Presented Component Unit-------------------------------------					
	SPRF	PERF -State	PERF-Municipal	ECRF	JRS	PARF	LRS
Valuation Date: July 1, 2008							
Actuarial value of assets	$ 386,873	*	*	*	*	*	*
Actuarial accrued liability (AAL)	438,460	*	*	*	*	*	*
Excess of assets over (unfunded) AAL	(51,587)	*	*	*	*	*	*
Funded ratio	88%	*	*	*	*	*	*
Covered payroll	65,421	*	*	*	*	*	*
Excess (unfunded) AAL as a percentage of covered payroll	-79%	*	*	*	*	*	*
Valuation Date: July 1, 2007							
Actuarial value of assets	$ 371,918	2,350,652	3,155,717	57,414	211,747	23,815	5,035
Actuarial accrued liability (AAL)	413,969	2,335,082	3,390,151	74,451	283,995	32,052	5,169
Excess of assets over (unfunded) AAL	(42,051)	15,570	(234,434)	(17,037)	(72,248)	(8,237)	(134)
Funded ratio	90%	101%	93%	77%	75%	74%	97%
Covered payroll	59,863	1,573,566	2,812,110	17,715	29,712	18,092	**
Excess (unfunded) AAL as a percentage of covered payroll	-70%	1%	-8%	-96%	-243%	-46%	**
Valuation Date: July 1, 2006							
Actuarial value of assets	$ 339,122	2,169,619	2,838,329	48,496	178,276	20,053	4,721
Actuarial accrued liability (AAL)	392,810	2,210,377	3,072,141	64,765	272,997	29,184	5,232
Excess of assets over (unfunded) AAL	(53,687)	(40,757)	(233,812)	(16,269)	(94,721)	(9,130)	(511)
Funded ratio	86%	98%	92%	75%	65%	69%	90%
Covered payroll	54,156	1,592,207	2,729,929	14,892	34,065	19,225	**
Excess (unfunded) AAL as a percentage of covered payroll	-99%	-3%	-9%	-109%	-278%	-47%	**
Valuation Date: July 1, 2005							
Actuarial value of assets	$ 317,837	$ 2,145,805	$ 2,641,536	$ 41,663	$ 151,003	$ 16,875	$ 4,338
Actuarial accrued liability (AAL)	390,480	2,189,337	2,984,254	59,964	272,855	25,744	4,999
Excess of assets over (unfunded) AAL	(72,643)	(43,532)	(342,718)	(18,301)	(121,852)	(8,869)	(661)
Funded ratio	81%	98%	89%	69%	55%	66%	87%
Covered payroll	53,897	1,645,248	2,672,619	13,223	32,231	16,659	**
Excess (unfunded) AAL as a percentage of covered payroll	-135%	-3%	-13%	-138%	-378%	-53%	**

SPRF - State Police Retirement Fund
PERF - Public Employees' Retirement Fund
ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF board of trustees)
JRS - Judges' Retirement System (Administered by the PERF board of trustees)
PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF board of trustees)
LRS - Legislators' Retirement System (Administered by the PERF board of trustees)

* Information not available
** The benefit formula is determined based on service rather than compensation. July 1, 2007: The unfunded liability is expressed per active participant and there were 43 active participants. The unfunded liability per active participant was $3,117; July 1, 2006: The unfunded liability is expressed per active participant and there were 46 active participants. The unfunded liability per active participant was $11,106; July 1, 2005: The unfunded liability is expressed per active participant and there were 48 active participants. The unfunded liability per active participant was $13,764.

Schedule of Funding Progress
Other Postemployment Benefits

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
State Personnel Healthcare Plan						
6/30/2007 *	$ -	$ 62,190	$ 62,190	0.0%	$ 1,130,900	5.5%
Legislature's Healthcare Plan						
6/30/2007 *	$ -	$ 7,950	$ 7,950	0.0%	N/A	N/A
Indiana State Police Healthcare Plan						
6/30/2007 *	$ -	$ 329,292	$ 329,292	0.0%	N/A	N/A
Conservation and Excise Police Healthcare Plan						
6/30/2007 *	$ -	$ 42,836	$ 42,836	0.0%	$ 12,900	332.1%

* The standard requires three years of information for this schedule. An additional year of information will be added each of the next two years and then it will be the current and two preceding years going forward.

Budgetary Information

The Governor submits a budget biennially to be adopted by the General Assembly for the ensuing two-year period. The budget covers the general fund and most special revenue funds, but excludes the Armory Board and the Recreation funds at State institutions. The General Assembly enacts the budget through passage of specific appropriations, the sum of which may not exceed estimated revenues. Appropriations for programs funded from special revenue funds may allow expenditures in excess of original appropriations to the extent that revenues collected exceed estimated revenues.

The original budget is composed of the budget bill and continuing appropriations. The budget bill is enacted as the Appropriations Act that the Governor may veto, subject to legislative override. Continuing appropriations report budgeted expenditures as equal to the amount of revenues received during the year plus any balances carried forward from the previous year as determined by statute. Except as specifically provided by statute, appropriations or any part thereof remaining unexpended and unencumbered at the close of any fiscal year will lapse and be returned to the fund from which it was appropriated.

The final budget is composed of budgeted amounts as adopted and as amended by supplemental appropriations or appropriation transfers that were necessary during the current year. The State Board of Finance, which consists of the Governor, Auditor of State and Treasurer of State, is empowered to transfer appropriations from one fund of the State to another, with the exception of trust funds. The State Budget Agency may transfer, assign, and reassign almost any appropriation, except those restricted by law; but only when the uses and purposes of the funds concur. Excess general fund revenue is used to cover non-budgeted recurring expenditures and overdrafts of budgeted amounts at the end of the current year. Capital appropriations are initially posted to general government. As projects are approved by the State Budget Committee the appropriations are transferred to the function of government from which they are disbursed. In addition, expenditures under many federal grants are required to be spent before they are reimbursed by the federal government. These actions are considered supplemental appropriations; therefore, expenditures do not exceed appropriations for individual funds.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the fund level by the State Budget Agency. When budgets are submitted for each fund center, certain recurring expenditures are not budgeted (medical service payments, unemployment benefits, tort claims) according to instructions from the State Budget Agency to the various agencies. The Budget Agency monitors all fund centers regularly in addition to monitoring excess general fund revenue that will be available at the end of the fiscal year to cover the non-budgeted, recurring expenditures.

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	General Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ 4,950,329	$ 4,950,329	$ 5,719,020	$ 768,691
Sales	2,766,017	2,766,017	3,317,044	551,027
Fuels	-	-	1	1
Gaming	5	5	83,908	83,903
Inheritance	147,500	147,500	165,621	18,121
Alcohol and tobacco	319,331	319,331	351,775	32,444
Insurance	177,200	177,200	196,801	19,601
Financial institutions	-	-	-	-
Other	15	15	214,822	214,807
Total taxes	8,360,397	8,360,397	10,048,992	1,688,595
Current service charges	172,566	172,566	193,524	20,958
Investment income	130,600	130,600	166,603	36,003
Sales/rents	3,350	3,350	3,710	360
Grants	-	-	11,391	11,391
Other	36,523	36,523	72,489	35,966
Total revenues	8,703,436	8,703,436	10,496,709	1,793,273
Expenditures:				
Current:				
General government	881,600	1,454,781	1,281,390	173,391
Public safety	683,341	686,272	681,104	5,168
Health	87,373	94,429	93,589	840
Welfare	2,511,541	298,797	283,847	14,950
Conservation, culture and development	112,272	129,972	84,586	45,386
Education	6,533,492	6,294,737	6,316,517	(21,780)
Transportation	500	3,016	1,501	1,515
Total expenditures	10,810,119	8,962,004	8,742,534	219,470
Excess of revenues over (under) expenditures	(2,106,683)	(258,568)	1,754,175	(2,012,743)
Other financing sources (uses):				
Total other financing sources (uses)	(1,458,471)	(1,458,471)	(1,458,471)	-
Net change in fund balances	$ (3,565,154)	$ (1,717,039)	$ 295,704	$ 2,012,743
Fund balances July 1, as restated			1,784,232	
Fund balances June 30			**$ 2,079,936**	

Motor Vehicle Highway Fund				Medicaid Assistance			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
324,689	324,689	313,313	(11,376)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
172,828	172,828	173,846	1,018	-	-	-	-
497,517	497,517	487,159	(10,358)	-	-	-	-
136,883	136,883	135,092	(1,791)	-	-	-	-
-	-	-	-	-	-	86	86
7	7	5	(2)	-	-	-	-
11,185	11,185	12,883	1,698	3,764,496	3,764,496	4,099,270	334,774
37,613	37,613	35,152	(2,461)	10,859	10,859	554,292	543,433
683,205	683,205	670,291	(12,914)	3,775,355	3,775,355	4,653,648	878,293
87,847	376,418	376,418	-	-	23	-	23
216,218	225,779	225,779	-	-	-	-	-
-	168	168	-	-	-	-	-
-	-	-	-	-	6,481,100	6,404,227	76,873
-	-	-	-	-	-	-	-
273	261	261	-	-	-	-	-
-	837	837	-	-	-	-	-
304,338	603,463	603,463	-	-	6,481,123	6,404,227	76,896
378,867	79,742	66,828	12,914	3,775,355	(2,705,768)	(1,750,579)	(955,189)
(81,660)	(81,660)	(81,660)	-	1,774,117	1,774,117	1,774,117	-
$ 297,207	$ (1,918)	$ (14,832)	$ (12,914)	$ 5,549,472	$ (931,651)	$ 23,538	$ 955,189
		65,703				47,345	
		$ 50,871				**$ 70,883**	

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State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Major Moves Construction Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Inheritance	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	-	-	-	-
Investment income	128,131	128,131	150,784	22,653
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	3,117,520	3,117,520	-	(3,117,520)
Total revenues	3,245,651	3,245,651	150,784	(3,094,867)
Expenditures:				
Current:				
General government	496,000	70,612	-	70,612
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	70,612	(70,612)
Total expenditures	496,000	70,612	70,612	-
Excess of revenues over (under) expenditures	2,749,651	3,175,039	80,172	3,094,867
Other financing sources (uses):				
Total other financing sources (uses)	(173,696)	(173,696)	(173,696)	-
Net change in fund balances	$ 2,575,955	$ 3,001,343	$ (93,524)	$ (3,094,867)
Fund balances July 1, as restated			2,702,683	
Fund balances June 30			**$ 2,609,159**	

State Highway Department				Property Tax Replacement Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	2,662,398	2,662,398	2,298,424	(363,974)
1	1	1	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1	1	1	-	2,662,398	2,662,398	2,298,424	(363,974)
12,216	12,216	5,710	(6,506)	-	-	-	-
300	300	379	79	-	-	-	-
1,382	1,382	1,532	150	-	-	-	-
829,993	829,993	683,227	(146,766)	-	-	-	-
85,855	85,855	85,766	(89)	-	-	-	-
929,747	929,747	776,615	(153,132)	2,662,398	2,662,398	2,298,424	(363,974)
-	-	-	-	-	2,210,902	2,210,902	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,826,811	1,696,656	1,654,531	42,125	-	-	-	-
1,826,811	1,696,656	1,654,531	42,125	-	2,210,902	2,210,902	-
(897,064)	(766,909)	(877,916)	111,007	2,662,398	451,496	87,522	363,974
561,611	561,611	561,611	-	(91,041)	(91,041)	(91,041)	-
$ (335,453)	$ (205,298)	$ (316,305)	$ (111,007)	$ 2,571,357	$ 360,455	$ (3,519)	$ (363,974)
		486,546				3,519	
		$ 170,241				**$ -**	

continued on next page

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Tobacco Settlement Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	-	-	-
Inheritance	-	-	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial institutions	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	124,914	124,914	147,475	22,561
Investment income	4,932	4,932	3,980	(952)
Sales/rents	-	-	-	-
Grants	196	196	-	(196)
Other	90	90	225	135
Total revenues	130,132	130,132	151,680	21,548
Expenditures:				
Current:				
General government	-	17,692	17,172	520
Public safety	-	-	-	-
Health	-	34,193	34,193	-
Welfare	-	1,084	1,084	-
Conservation, culture and development	-	111	111	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	-	53,080	52,560	520
Excess of revenues over (under) expenditures	130,132	77,052	99,120	(22,068)
Other financing sources (uses):				
Total other financing sources (uses)	(85,434)	(85,434)	(85,434)	-
Net change in fund balances	$ 44,698	$ (8,382)	$ 13,686	$ 22,068
Fund balances July 1, as restated			135,287	
Fund balances June 30			**$ 148,973**	

Budget/GAAP Reconciliation
Major Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

(amounts expressed in thousands)	GENERAL FUND	MOTOR VEHICLE HIGHWAY FUND	MEDICAID ASSISTANCE	MAJOR MOVES CONSTRUCTION FUND	STATE HIGHWAY DEPARTMENT	PROPERTY TAX RELIEF FUND	TOBACCO SETTLEMENT FUND	Total
Net change in fund balances (budgetary basis)	$ 295,704	$ (14,832)	$ 23,538	$ (93,524)	$ (316,305)	$ (3,519)	$ 13,686	**$ (95,252)**
Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:								
Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)	416,161	(1,832)	113,513	(17,490)	(15,409)	(237,549)	2,505	**259,899**
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	(220,851)	2,293	(99,407)	(17,679)	(12,818)	121,904	(2,988)	**(229,546)**
Net change in fund balances (GAAP basis)	**$ 491,014**	**$ (14,371)**	**$ 37,644**	**$ (128,693)**	**$ (344,532)**	**$ (119,164)**	**$ 13,203**	**$ (64,899)**

Infrastructure - Modified Reporting
Condition Rating of the State's Highways and Bridges

Roads	**Average Pavement Quality Index (PQI)**		
	2008	**2007**	**2006**
Interstate Roads (including Rest Areas and Weigh Stations)	84%	83%	84%
NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations)	83%	82%	81%
Non-NHS Roads	79%	79%	76%

The condition of road pavement is measured using a pavement quality index (PQI), which is based on a weighted average of three distress factors found in pavement surfaces. The PQI uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in excellent condition (90-100), good condition (80-89), fair condition (70-79), and poor condition (less than 70).
It is the State's policy to maintain Interstate and NHS Non-Interstate roads at an average PQI of 75 and Non-NHS roads at an average PQI of 65. Condition assessments are determined on an annual basis for Interstates and on a biennial basis for other roads. The ratings provided are based on data gathered during the summer (July and August) of the corresponding fiscal year. The data are evaluated and compared to standard criteria by the end of the fiscal year.

Bridges	**Average Sufficiency Rating**		
	2008	**2007**	**2006**
Interstate Bridges	88.9%	90.4%	90.6%
NHS Bridges - Non-Interstate	89.6%	90.4%	90.3%
Non-NHS Bridges	87.4%	88.3%	87.8%

The condition of the State's bridges is measured based on a sufficiency rating, which is based on a weighted average of four factors indicative of a bridge's sufficiency to remain in service. The sufficiency rating uses a measurement scale that ranges from zero for an entirely insufficient or deficient bridge to 100 for an entirely sufficient bridge. The sufficiency rating is used to classify bridges in excellent condition (90-100), good condition (80-89), fair condition (70-79), marginal condition (60-69), and poor condition (below 60). It is the State's policy to maintain Interstate bridges at a minimum sufficiency rating of 87%, NHS Non-Interstate bridges at 85%, and Non-NHS bridges at 83%. Sufficiency ratings are determined at least on a biennial basis for all bridges. Sufficiency ratings are determined more frequently for certain bridges depending on their design.

Infrastructure - Modified Reporting
Comparison of Needed-to-Actual Maintenance/Preservation
(dollars in thousands)

	2008	2007	2006	2005	2004
Roads					
Interstate Roads (including Rest Areas and Weigh Stations):					
Needed	$ 120,147	$ 212,485	$ 105,267	$ 151,999	$ 194,098
Actual	256,482	248,803	126,361	140,667	253,555
NHS and Non-NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations)					
Needed	419,001	145,720	234,789	230,453	256,681
Actual	374,770	297,223	413,557	376,969	415,019
Roads at State Institutions and Properties					
Needed	1,225	2,529	1,173	2,903	2,689
Actual	3,146	3,069	4,496	5,595	4,381
Total					
Needed	540,373	360,734	341,229	385,355	453,468
Actual	634,398	549,095	544,414	523,231	672,955
Bridges					
Interstate Bridges					
Needed	$ 34,723	$ 37,157	$ 5,749	$ 39,166	$ 19,946
Actual	43,904	37,070	29,520	23,863	28,723
NHS Bridges - Non-Interstate					
Needed	4,695	10,220	31,943	2,021	26,411
Actual	13,568	14,154	11,459	1,282	7,766
Non-NHS Bridges					
Needed	26,694	31,549	44,859	32,597	34,929
Actual	34,138	35,118	31,145	61,271	73,356
Bridges at State Institutions and Properties					
Needed	-	-	-	164	926
Actual	3	-	-	796	702
Total					
Needed	66,112	78,926	82,551	73,948	82,212
Actual	91,613	86,342	72,124	87,212	110,547

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Funds of material significance are presented separately in these combining statements. All other funds are included under the description "Other Special Revenue Funds."

The following funds are used to account for welfare assistance and administration and other welfare and education related entitlement programs:

County Welfare Administration
State and Federal Welfare Assistance
Medicaid Administration
National School Lunch
Federal Food Stamp Program
Medicaid Indigent Care Trust

The following funds are used to account for transportation and motor vehicle related programs:

Bureau of Motor Vehicles Commission
Primary Road and Street

The following funds are used to account for health and environmental programs:

Health and Environmental Programs
Indiana Check-Up Plan
Patients Compensation Fund

The following funds are used to receive and distribute certain revenues to the proper sources:

State Gaming Fund
Build Indiana Fund
Property Tax Reduction Fund

The following funds are used to account for federal and non-federal programs:

Fund 6000 Funds Checking Eligible
Fund 6000 Funds Checking Exempt

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital project funds account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Army National Guard Construction – This fund accounts for the financing of new construction, rehabilitation and preventive maintenance for Indiana Army National Guard Posts.

Post War Construction Fund – This fund accounts for new construction, rehabilitation and preventative maintenance of penal, benevolent and charitable institutions of the state.

PERMANENT FUNDS

Permanent Funds account for resources of the State that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support State programs.

Common School Principal Fund - The interest of the Common School Fund is annually appropriated for the support of the common schools.

Next Generation Trust Fund - This fund is used to hold title to proceeds transferred to the trust under IC 8-15.5-11. The interest is appropriated every five years beginning March 15, 2011 and is to be used exclusively for the provision of highways, roads, and bridges for the benefit of the people of Indiana and the users of those facilities.

State of Indiana
Balance Sheet
Non-Major Governmental Funds
June 30, 2008
(amounts expressed in thousands)

	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Non-Major Permanent Funds	Total
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 1,914,724	$ 92,673	$ 608,618	**$ 2,616,015**
Securities lending collateral	401,962	-	117,282	**519,244**
Receivables:				
Taxes (net of allowance for uncollectible accounts)	183,375	2,096	-	**185,471**
Securities lending	647	-	199	**846**
Accounts	38,354	-	-	**38,354**
Grants	168,370	2,967	-	**171,337**
Interest	1,689	-	41	**1,730**
Due from component unit	35,775	-	-	**35,775**
Prepaid expenditures	25	-	-	**25**
Loans	14,132	-	491,624	**505,756**
Total assets	$ 2,759,053	$ 97,736	$ 1,217,764	**$ 4,074,553**
Liabilities:				
Accounts payable	$ 126,587	$ 458	$ 10	**$ 127,055**
Salaries and benefits payable	31,143	48	-	**31,191**
Interfund loans	198,855	3,006	-	**201,861**
Interfunds services used	4,758	-	-	**4,758**
Intergovernmental payable	56,602	-	-	**56,602**
Due to component unit	3,533	-	-	**3,533**
Tax refunds payable	5,733	-	-	**5,733**
Deferred revenue	67,413	136	-	**67,549**
Accrued liability for compensated absences-current	2,076	1	-	**2,077**
Securities lending payable	647	-	199	**846**
Securities lending collateral	401,962	-	117,282	**519,244**
Total liabilities	899,309	3,649	117,491	**1,020,449**
Fund balance:				
Reserved:				
Encumbrances	174,450	12,167	-	**186,617**
Special purposes	4,336	-	-	**4,336**
Reserved for long-term loans and advances	13,610	-	471,572	**485,182**
Reserved for restricted purposes	123,521	2,967	-	**126,488**
Unreserved	1,543,827	78,953	628,701	**2,251,481**
Total fund balances	1,859,744	94,087	1,100,273	**3,054,104**
Total liabilities and fund balances	$ 2,759,053	$ 97,736	$ 1,217,764	**$ 4,074,553**

State of Indiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Non-Major Permanent Funds	Total
Revenues:				
Taxes:				
Income	$ 112,950	$ -	$ -	**$ 112,950**
Sales	138,813	-	-	**138,813**
Fuels	359,278	-	-	**359,278**
Gaming	742,574	-	-	**742,574**
Inheritance	-	-	-	**-**
Alcohol and tobacco	193,198	18,128	-	**211,326**
Insurance	2,484	-	-	**2,484**
Financial Institutions	38,777	-	-	**38,777**
Other	193,365	-	-	**193,365**
Total taxes	1,781,439	18,128	-	**1,799,567**
Current service charges	1,099,348	1,886	6,351	**1,107,585**
Investment income	45,539	-	24,257	**69,796**
Sales/rents	17,901	46	-	**17,947**
Grants	3,248,346	25,601	-	**3,273,947**
Other	442,739	160	-	**442,899**
Total revenues	6,635,312	45,821	30,608	**6,711,741**
Expenditures:				
Current:				
General government	1,147,525	-	31,203	**1,178,728**
Public safety	419,497	55,103	-	**474,600**
Health	258,394	3,112	-	**261,506**
Welfare	2,337,433	39	-	**2,337,472**
Conservation, culture and development	504,464	-	-	**504,464**
Education	1,112,183	30	-	**1,112,213**
Transportation	247,733	-	-	**247,733**
Total expenditures	6,027,229	58,284	31,203	**6,116,716**
Excess (deficiency) of revenues over expenditures	608,083	(12,463)	(595)	**595,025**
Other financing sources (uses):				
Transfers in	2,061,729	1,677	25,297	**2,088,703**
Transfers (out)	(2,523,227)	(1,128)	(2,223)	**(2,526,578)**
Proceeds from capital lease	108	-	-	**108**
Total other financing sources (uses)	(461,390)	549	23,074	**(437,767)**
Net change in fund balances	146,693	(11,914)	22,479	**157,258**
Fund Balance July 1, as restated	1,713,051	106,001	1,077,794	**2,896,846**
Fund Balance June 30	**$ 1,859,744**	**$ 94,087**	**$ 1,100,273**	**$ 3,054,104**

State of Indiana
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2008
(amounts expressed in thousands)

	County Welfare Administration	State Gaming Fund	State and Federal Welfare Assistance	Medicaid Administration
Assets:				
Cash, cash equivalents and investments-unrestricted	$ -	$ 17,450	$ 71,767	$ -
Securities lending collateral	-	-	3,550	-
Receivables:				
Taxes (net of allowance for uncollectible accounts)	-	14,107	116	-
Securities lending	-	-	4	-
Accounts	-	-	-	-
Grants	-	-	24,707	25,946
Interest	-	-	-	-
Due from component unit	-	-	-	-
Prepaid expenditures	-	-	-	-
Loans	-	-	-	-
Total assets	$ -	$ 31,557	$ 100,144	$ 25,946
Liabilities:				
Accounts payable	$ 487	$ 15	$ 7,322	$ 2,958
Salaries and benefits payable	2,281	117	168	-
Interfund loans	1,765	-	-	23,334
Interfunds services used	856	34	15	4
Intergovernmental payable	-	388	-	-
Due to component unit	-	-	-	-
Tax refunds payable	-	-	-	-
Deferred revenue	-	17	-	-
Accrued liability for compensated absences-current	176	19	15	-
Securities lending payable	-	-	4	-
Securities lending collateral	-	-	3,550	-
Total liabilities	5,565	590	11,074	26,296
Fund balance:				
Reserved:				
Encumbrances	1,846	479	257	-
Special purposes	-	-	-	-
Reserved for long-term loans and advances	-	-	-	-
Reserved for restricted purposes	-	-	24,707	25,946
Unreserved	(7,411)	30,488	64,106	(26,296)
Total fund balances	(5,565)	30,967	89,070	(350)
Total liabilities and fund balances	$ -	$ 31,557	$ 100,144	$ 25,946

Bureau of Motor Vehicles Commission	Health and Environmental Programs	National School Lunch	Build Indiana Fund
$ 53,364	$ 1,246	$ 307	$ 41,999
-	-	-	-
-	-	-	-
-	-	-	-
888	-	-	-
-	5,461	6,408	-
-	-	-	-
-	-	-	35,749
-	-	-	-
-	-	-	17
$ 54,252	$ 6,707	$ 6,715	$ 77,765
$ 324	$ 3,477	$ -	$ -
3,396	1,602	-	-
63,277	-	-	-
127	117	-	-
-	-	6,408	-
-	-	-	-
-	-	-	-
-	-	307	-
253	120	-	-
-	-	-	-
-	-	-	-
67,377	5,316	6,715	-
177	21,734	-	4
-	-	-	-
-	-	-	17
-	5,461	-	-
(13,302)	(25,804)	-	77,744
(13,125)	1,391	-	77,765
$ 54,252	$ 6,707	$ 6,715	$ 77,765

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State of Indiana
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2008
(amounts expressed in thousands)

	Property Tax Reduction Fund	Indiana Check-Up Plan	Patients Compensation	Primary Road and Street	Federal Food Stamp Program
Assets:					
Cash, cash equivalents and investments-unrestricted	$ -	$ 116,961	$ 222,680	$ 4,911	$ -
Securities lending collateral	-	-	189,150	-	-
Receivables:					
Taxes (net of allowance for uncollectible accounts)	-	13,637	-	14,750	-
Securities lending	-	-	351	-	-
Accounts	-	-	3,958	-	-
Grants	-	-	-	-	-
Interest	-	-	761	-	-
Due from component unit	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Loans	-	-	-	-	-
Total assets	$ -	$ 130,598	$ 416,900	$ 19,661	$ -
Liabilities:					
Accounts payable	$ -	$ 71	$ 58,522	$ -	$ 263
Salaries and benefits payable	-	6	18	-	-
Interfund loans	100,692	-	-	-	9,787
Interfunds services used	-	8	3	-	-
Intergovernmental payable	-	-	-	6,793	-
Due to component unit	-	-	-	-	-
Tax refunds payable	-	-	-	-	-
Deferred revenue	-	137	-	10,870	-
Accrued liability for compensated absences-current	-	1	1	-	-
Securities lending payable	-	-	351	-	-
Securities lending collateral	-	-	189,150	-	-
Total liabilities	100,692	223	248,045	17,663	10,050
Fund balance:					
Reserved:					
Encumbrances	-	-	-	-	-
Special purposes	-	-	-	-	-
Reserved for long-term loans and advances	-	-	-	-	-
Reserved for restricted purposes	-	-	-	-	-
Unreserved	(100,692)	130,375	168,855	1,998	(10,050)
Total fund balances	(100,692)	130,375	168,855	1,998	(10,050)
Total liabilities and fund balances	$ -	$ 130,598	$ 416,900	$ 19,661	$ -

Medicaid Indigent Care Trust	Fund 6000 Funds Checking Exempt	Fund 6000 Funds Checking Eligible	Other Non-Major Special Revenue Funds	Total
$ 50,545	$ 68,854	$ 459,179	$ 805,461	**$ 1,914,724**
50,000	-	67,962	91,300	**401,962**
-	20,110	35,945	84,710	**183,375**
93	-	86	113	**647**
-	14,252	6,407	12,849	**38,354**
-	64,243	2,596	39,009	**168,370**
152	33	272	471	**1,689**
-	-	-	26	**35,775**
-	1	17	7	**25**
-	862	3,235	10,018	**14,132**
$ 100,790	$ 168,355	$ 575,699	$ 1,043,964	**$ 2,759,053**
$ -	$ 12,504	$ 11,038	$ 29,606	**$ 126,587**
-	1,454	700	21,401	**31,143**
-	-	-	-	**198,855**
-	142	223	3,229	**4,758**
-	39,093	1,593	2,327	**56,602**
-	-	-	3,533	**3,533**
-	-	5,733	-	**5,733**
-	2,039	24,639	29,404	**67,413**
-	70	34	1,387	**2,076**
93	-	86	113	**647**
50,000	-	67,962	91,300	**401,962**
50,093	55,302	112,008	182,300	**899,309**
-	9,018	10,711	130,224	**174,450**
-	-	-	4,336	**4,336**
-	833	3,157	9,603	**13,610**
-	25,802	2,596	39,009	**123,521**
50,697	77,400	447,227	678,492	**1,543,827**
50,697	113,053	463,691	861,664	**1,859,744**
$ 100,790	$ 168,355	$ 575,699	$ 1,043,964	**$ 2,759,053**

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	County Welfare Administration	State Gaming Fund	State and Federal Welfare Assistance	Medicaid Administration
Revenues:				
Taxes:				
Income	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Fuels	-	-	-	-
Gaming	-	742,556	-	-
Alcohol and tobacco	-	-	-	-
Insurance	-	-	-	-
Financial Institutions	-	-	-	-
Other	-	5,180	5,357	-
Total taxes	-	747,736	5,357	-
Current service charges	-	1,803	969	-
Investment income	-	-	315	-
Sales/rents	-	-	-	-
Grants	7	-	389,968	177,118
Other	10	232	225	2
Total revenues	17	749,771	396,834	177,120
Expenditures:				
Current:				
General government	-	142,736	144	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	87,626	-	428,383	241,778
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	87,626	142,736	428,527	241,778
Excess (deficiency) of revenues over expenditures	(87,609)	607,035	(31,693)	(64,658)
Other financing sources (uses):				
Transfers in	154,608	839	88,960	109,001
Transfers (out)	(61,265)	(592,483)	(69,478)	(37,797)
Proceeds from capital lease	-	-	-	-
Total other financing sources (uses)	93,343	(591,644)	19,482	71,204
Net change in fund balances	5,734	15,391	(12,211)	6,546
Fund Balance July 1, as restated	(11,299)	15,576	101,281	(6,896)
Fund Balance June 30	**$ (5,565)**	**$ 30,967**	**$ 89,070**	**$ (350)**

Bureau of Motor Vehicles Commission	Health and Environmental Programs	National School Lunch	Build Indiana Fund
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
90,333	26	-	166,449
-	-	-	-
-	6	-	-
-	181,303	207,531	-
61	40,604	18	-
90,394	221,939	207,549	166,449
-	-	-	50
80,963	-	-	-
-	196,605	-	-
-	-	-	-
-	39,784	-	560
-	-	205,591	-
-	-	-	596
80,963	236,389	205,591	1,206
9,431	(14,450)	1,958	165,243
3,409	36,639	-	85,970
-	(67,459)	(1,610)	(241,212)
-	45	-	-
3,409	(30,775)	(1,610)	(155,242)
12,840	(45,225)	348	10,001
(25,965)	46,616	(348)	67,764
$ (13,125)	**$ 1,391**	**$ -**	**$ 77,765**

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State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Property Tax Reduction Fund	Indiana Check-Up Plan	Patients Compensation	Primary Road and Street	Federal Food Stamp Program
Revenues:					
Taxes:					
Income	$ -	$ -	$ -	$ -	$ -
Sales	-	-	-	-	-
Fuels	-	-	-	166,652	-
Gaming	-	-	-	-	-
Alcohol and tobacco	-	141,360	-	-	-
Insurance	-	-	-	-	-
Financial Institutions	-	-	-	-	-
Other	-	-	-	6,045	-
Total taxes	-	141,360	-	172,697	-
Current service charges	300,000	-	147,571	18,967	-
Investment income	-	-	12,471	-	-
Sales/rents	-	-	-	-	-
Grants	-	-	-	-	773,910
Other	4,606	-	2	-	62
Total revenues	304,606	141,360	160,044	191,664	773,972
Expenditures:					
Current:					
General government	419,310	-	6,046	78,625	-
Public safety	-	-	112,670	-	-
Health	-	10,992	-	-	-
Welfare	-	3,131	-	-	788,457
Conservation, culture and development	-	-	-	-	-
Education	-	-	-	-	-
Transportation	-	-	-	-	-
Total expenditures	419,310	14,123	118,716	78,625	788,457
Excess (deficiency) of revenues over expenditures	(114,704)	127,237	41,328	113,039	(14,485)
Other financing sources (uses):					
Transfers in	14,012	13,089	-	44,508	35,397
Transfers (out)	-	(9,951)	(1)	(172,088)	(27,939)
Proceeds from capital lease	-	-	-	-	-
Total other financing sources (uses)	14,012	3,138	(1)	(127,580)	7,458
Net change in fund balances	(100,692)	130,375	41,327	(14,541)	(7,027)
Fund Balance July 1, as restated	-	-	127,528	16,539	(3,023)
Fund Balance June 30	**$ (100,692)**	**$ 130,375**	**$ 168,855**	**$ 1,998**	**$ (10,050)**

Medicaid Indigent Care Trust	Fund 6000 Funds Checking Exempt	Fund 6000 Funds Checking Eligible	Other Non-Major Special Revenue Funds	Total
$ -	$ 112,950	$ -	$ -	**$ 112,950**
-	86,939	3,369	48,505	**138,813**
-	(20,922)	65,532	148,016	**359,278**
-	18	-	-	**742,574**
-	3,946	8,939	38,953	**193,198**
-	-	2,484	-	**2,484**
-	-	38,777	-	**38,777**
-	53,075	26,523	97,185	**193,365**
-	236,006	145,624	332,659	**1,781,439**
-	53,423	74,762	245,045	**1,099,348**
12,919	62	9,182	10,590	**45,539**
-	20	2,168	15,707	**17,901**
-	928,381	11,801	578,327	**3,248,346**
-	119,126	211,815	65,976	**442,739**
12,919	1,337,018	455,352	1,248,304	**6,635,312**
5,643	54,235	317,507	123,229	**1,147,525**
-	82,011	19,646	124,207	**419,497**
-	9,947	8,842	32,008	**258,394**
75,841	168,213	3,258	540,746	**2,337,433**
-	97,701	52,146	314,273	**504,464**
-	610,477	7,839	288,276	**1,112,183**
-	-	2,005	245,132	**247,733**
81,484	1,022,584	411,243	1,667,871	**6,027,229**
(68,565)	314,434	44,109	(419,567)	**608,083**
39,900	89,731	260,881	1,084,785	**2,061,729**
(99,616)	(391,974)	(211,268)	(539,086)	**(2,523,227)**
-	-	-	63	**108**
(59,716)	(302,243)	49,613	545,762	**(461,390)**
(128,281)	12,191	93,722	126,195	**146,693**
178,978	100,862	369,969	735,469	**1,713,051**
$ 50,697	**$ 113,053**	**$ 463,691**	**$ 861,664**	**$ 1,859,744**

State of Indiana
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2008
(amounts expressed in thousands)

	Army National Guard Construction	Post War Construction	Other Non-Major Capital Projects Funds	Total
Assets:				
Cash, cash equivalents and investments-unrestricted	$ -	$ 74,175	$ 18,498	**$ 92,673**
Receivables:			-	
Taxes (net of allowance for uncollectible accounts)	-	2,096	-	**2,096**
Grants	2,967	-	-	**2,967**
Total assets	$ 2,967	$ 76,271	$ 18,498	**$ 97,736**
Liabilities:				
Accounts payable	$ 257	$ 106	$ 95	**$ 458**
Salaries and benefits payable	48	-	-	**48**
Interfund loans	3,006	-	-	**3,006**
Deferred revenue	-	136	-	**136**
Accrued liability for compensated absences-current	1	-	-	**1**
Total liabilities	3,312	242	95	**3,649**
Fund balance:				
Reserved:				
Encumbrances	-	7,594	4,573	**12,167**
Reserved for restricted purposes	2,967	-	-	**2,967**
Unreserved	(3,312)	68,435	13,830	**78,953**
Total fund balances	(345)	76,029	18,403	**94,087**
Total liabilities and fund balances	$ 2,967	$ 76,271	$ 18,498	**$ 97,736**

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Army National Guard Construction	Post War Construction	Other Non-Major Capital Projects Funds	Total
Revenues:				
Taxes:				
Alcohol and tobacco	$ -	$ 18,128	$ -	**$ 18,128**
Total taxes	-	18,128	-	**18,128**
Current service charges	-	-	1,886	**1,886**
Sales/rents	-	46	-	**46**
Grants	25,601	-	-	**25,601**
Other	160	-	-	**160**
Total revenues	25,761	18,174	1,886	**45,821**
Expenditures:				
Current:				
Public safety	25,093	24,116	5,894	**55,103**
Health	-	39	3,073	**3,112**
Welfare	-	39	-	**39**
Education	-	30	-	**30**
Total expenditures	25,093	24,224	8,967	**58,284**
Excess (deficiency) of revenues over expenditures	668	(6,050)	(7,081)	**(12,463)**
Other financing sources (uses):				
Transfers in	-	622	1,055	**1,677**
Transfers (out)	(4)	(1,124)	-	**(1,128)**
Total other financing sources (uses)	(4)	(502)	1,055	**549**
Net change in fund balances	664	(6,552)	(6,026)	**(11,914)**
Fund Balance July 1, as restated	(1,009)	82,581	24,429	**106,001**
Fund Balance June 30	**$ (345)**	**$ 76,029**	**$ 18,403**	**$ 94,087**

State of Indiana
Combining Balance Sheet
Non-Major Permanent Funds
June 30, 2008
(amounts expressed in thousands)

	Common School, Principal	Next Generation Trust Fund	Other Non-Major Permanent Funds	Total
Assets:				
Cash, cash equivalents and investments-unrestricted	$ 52,899	$ 551,147	$ 4,572	**$ 608,618**
Securities lending collateral	35,188	82,094	-	**117,282**
Receivables:				
Securities lending	58	141	-	**199**
Interest	-	40	1	**41**
Loans	491,424	-	200	**491,624**
Total assets	$ 579,569	$ 633,422	$ 4,773	**$ 1,217,764**
Liabilities:				
Accounts payable	$ -	$ -	$ 10	**$ 10**
Securities lending payable	58	141	-	**199**
Securities lending collateral	35,188	82,094	-	**117,282**
Total liabilities	35,246	82,235	10	**117,491**
Fund balance:				
Reserved:				
Reserved for long-term loans and advances	471,397	-	175	**471,572**
Unreserved	72,926	551,187	4,588	**628,701**
Total fund balances	544,323	551,187	4,763	**1,100,273**
Total liabilities and fund balances	$ 579,569	$ 633,422	$ 4,773	**$ 1,217,764**

State of Indiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Permanent Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Common School, Principal	Next Generation Trust Fund	Other Non-Major Permanent Funds	Total
Revenues:				
Current service charges	$ 6,351	$ -	$ -	**$ 6,351**
Investment income	1,517	22,679	61	**24,257**
Total revenues	7,868	22,679	61	**30,608**
Expenditures:				
Current:				
General government	27,781	3,351	71	**31,203**
Total expenditures	27,781	3,351	71	**31,203**
Excess (deficiency) of revenues over expenditures	(19,913)	19,328	(10)	**(595)**
Other financing sources (uses):				
Transfers in	25,256	41	-	**25,297**
Transfers (out)	(2,223)	-	-	**(2,223)**
Total other financing sources (uses)	23,033	41	-	**23,074**
Net change in fund balances	3,120	19,369	(10)	**22,479**
Fund Balance July 1, as restated	541,203	531,818	4,773	**1,077,794**
Fund Balance June 30	**$ 544,323**	**$ 551,187**	**$ 4,763**	**$ 1,100,273**

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non-Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	County Welfare Administration			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales	-	-	-	-
Fuels	-	-	-	-
Alcohol and tobacco	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	-	-	-	-
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	-	-	7	7
Other	10	10	10	-
Total revenues	10	10	17	7
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	91,742	90,354	1,388
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	-	91,742	90,354	1,388
Excess of revenues over (under) expenditures	10	(91,732)	(90,337)	(1,395)
Other financing sources (uses):				
Total other financing sources (uses)	93,343	93,343	93,343	-
Net change in fund balances	$ 93,353	$ 1,611	$ 3,006	$ 1,395
Fund balances July 1, as restated			(4,771)	
Fund balances June 30			**$ (1,765)**	

State Gaming Fund				State and Federal Welfare Assistance			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	5,180	5,180	5,097	5,097	5,868	771
763,858	763,858	735,533	(28,325)	5,097	5,097	5,868	771
1,919	1,919	1,803	(116)	1,130	1,130	969	(161)
-	-	-	-	145	145	171	26
-	-	-	-	-	-	-	-
-	-	-	-	409,986	409,986	369,309	(40,677)
516	516	232	(284)	223	223	225	2
766,293	766,293	737,568	(28,725)	416,581	416,581	376,542	(40,039)
3,989	142,588	142,535	53	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	509,554	429,031	80,523
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,989	142,588	142,535	53	-	509,554	429,031	80,523
762,304	623,705	595,033	28,672	416,581	(92,973)	(52,489)	(40,484)
(591,644)	(591,644)	(591,644)	-	19,482	19,482	19,482	-
$ 170,660	$ 32,061	$ 3,389	$ (28,672)	$ 436,063	$ (73,491)	$ (33,007)	$ 40,484
		14,060				104,774	
		$ 17,449				**$ 71,767**	

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State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non-Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Welfare - Medicaid Administration			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales	-	-	-	-
Fuels	-	-	-	-
Alcohol and tobacco	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	-	-	-	-
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	140,369	140,369	152,575	12,206
Other	-	-	2	2
Total revenues	140,369	140,369	152,577	12,208
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	249,797	248,123	1,674
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	-	249,797	248,123	1,674
Excess of revenues over (under) expenditures	140,369	(109,428)	(95,546)	(13,882)
Other financing sources (uses):				
Total other financing sources (uses)	71,204	71,204	71,204	-
Net change in fund balances	$ 211,573	$ (38,224)	$ (24,342)	$ 13,882
Fund balances July 1, as restated			1,008	
Fund balances June 30			**$ (23,334)**	

Bureau of Motor Vehicles Commission				Health and Environmental Programs			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
92,841	92,841	89,445	(3,396)	27	27	26	(1)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	6	6
-	-	-	-	155,891	155,891	173,672	17,781
28	28	61	33	39,699	39,699	40,604	905
92,869	92,869	89,506	(3,363)	195,617	195,617	214,308	18,691
-	-	-	-	-	-	-	-
-	81,875	81,875	-	-	-	-	-
-	-	-	-	-	204,234	198,924	5,310
-	-	-	-	-	-	-	-
-	-	-	-	-	39,691	39,691	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	81,875	81,875	-	-	243,925	238,615	5,310
92,869	10,994	7,631	3,363	195,617	(48,308)	(24,307)	(24,001)
3,409	3,409	3,409	-	(30,820)	(30,820)	(30,820)	-
$ 96,278	$ 14,403	$ 11,040	$ (3,363)	$ 164,797	$ (79,128)	$ (55,127)	$ 24,001
		(20,952)				56,372	
		$ (9,912)				**$ 1,245**	

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State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non-Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	National School Lunch			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales	-	-	-	-
Fuels	-	-	-	-
Alcohol and tobacco	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	-	-	-	-
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	188,229	188,229	208,487	20,258
Other	-	-	18	18
Total revenues	188,229	188,229	208,505	20,276
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	206,931	206,625	306
Transportation	-	-	-	-
Total expenditures	-	206,931	206,625	306
Excess of revenues over (under) expenditures	188,229	(18,702)	1,880	(20,582)
Other financing sources (uses):				
Total other financing sources (uses)	(1,610)	(1,610)	(1,610)	-
Net change in fund balances	$ 186,619	$ (20,312)	$ 270	$ 20,582
Fund balances July 1, as restated			37	
Fund balances June 30			**$ 307**	

Patients Compensation				Build Indiana Fund			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
155,658	155,658	143,996	(11,662)	150,860	150,860	164,030	13,170
3,126	3,126	8,375	5,249	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
39	39	2	(37)	-	-	-	-
158,823	158,823	152,373	(6,450)	150,860	150,860	164,030	13,170
-	-	-	-	5,445	3,693	50	3,643
2,045	198,252	95,929	102,323	-	-	-	-
-	-	-	-	-	25	-	25
-	-	-	-	-	-	-	-
-	-	-	-	-	2,006	584	1,422
-	-	-	-	-	20	-	20
-	-	-	-	-	730	596	134
2,045	198,252	95,929	102,323	5,445	6,474	1,230	5,244
156,778	(39,429)	56,444	(95,873)	145,415	144,386	162,800	(18,414)
(1)	(1)	(1)	-	(155,242)	(155,242)	(155,242)	-
$ 156,777	$ (39,430)	$ 56,443	$ 95,873	$ (9,827)	$ (10,856)	$ 7,558	$ 18,414
		166,236				34,458	
		$ 222,679				**$ 42,016**	

continued on next page

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non-Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Property Tax Reduction Fund			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales	-	-	-	-
Fuels	-	-	-	-
Alcohol and tobacco	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	-	-	300,000	300,000
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	-	-	-	-
Other	-	-	4,606	4,606
Total revenues	-	-	304,606	304,606
Expenditures:				
Current:				
General government	412,000	419,310	419,310	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	-	-	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	412,000	419,310	419,310	-
Excess of revenues over (under) expenditures	(412,000)	(419,310)	(114,704)	(304,606)
Other financing sources (uses):				
Total other financing sources (uses)	14,012	14,012	14,012	-
Net change in fund balances	$ (397,988)	$ (405,298)	$ (100,692)	$ 304,606
Fund balances July 1, as restated			-	
Fund balances June 30			**$ (100,692)**	

Indiana Check-Up Plan				Primary Road and Street			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
-	-	-	-	-	-	-	-
-	-	-	-	168,954	168,954	167,128	(1,826)
-	-	127,860	127,860	-	-	-	-
-	-	-	-	5,240	5,240	6,389	1,149
-	-	127,860	127,860	174,194	174,194	173,517	(677)
-	-	-	-	18,488	18,488	18,967	479
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	127,860	127,860	192,682	192,682	192,484	(198)
-	-	-	-	-	83,873	78,962	4,911
-	-	-	-	-	-	-	-
-	10,992	10,992	-	-	-	-	-
-	3,045	3,045	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	14,037	14,037	-	-	83,873	78,962	4,911
-	(14,037)	113,823	(127,860)	192,682	108,809	113,522	(4,713)
3,138	3,138	3,138	-	(127,580)	(127,580)	(127,580)	-
$ 3,138	$ (10,899)	$ 116,961	$ 127,860	$ 65,102	$ (18,771)	$ (14,058)	$ 4,713
		-				18,968	
		$ 116,961				**$ 4,910**	

continued on next page

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non-Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Federal Food Stamp Program			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales	-	-	-	-
Fuels	-	-	-	-
Alcohol and tobacco	-	-	-	-
Other	-	-	-	-
Total taxes	-	-	-	-
Current service charges	-	-	-	-
Investment income	-	-	-	-
Sales/rents	-	-	-	-
Grants	32,474	32,474	42,054	9,580
Other	-	-	62	62
Total revenues	32,474	32,474	42,116	9,642
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Welfare	-	49,704	49,704	-
Conservation, culture and development	-	-	-	-
Education	-	-	-	-
Transportation	-	-	-	-
Total expenditures	-	49,704	49,704	-
Excess of revenues over (under) expenditures	32,474	(17,230)	(7,588)	(9,642)
Other financing sources (uses):				
Total other financing sources (uses)	7,458	7,458	7,458	-
Net change in fund balances	$ 39,932	$ (9,772)	$ (130)	$ 9,642
Fund balances July 1, as restated			(9,658)	
Fund balances June 30			**$ (9,788)**	

Medicaid Indigent Care Trust				Fund 6000 Funds Checking Exempt			
Budget		Actual	Variance to Final Budget	Budget		Actual	Variance to Final Budget
Original	Final			Original	Final		
-	-	-	-	98,938	98,938	87,987	(10,951)
-	-	-	-	-	-	(19,279)	(19,279)
-	-	-	-	505	505	3,677	3,172
-	-	-	-	24,427	24,427	50,777	26,350
-	-	-	-	241,986	241,986	236,068	(5,918)
-	-	-	-	13,861	13,861	50,399	36,538
4,245	4,245	8,350	4,105	-	-	29	29
-	-	-	-	4	4	20	16
156,539	156,539	-	(156,539)	812,941	812,941	934,098	121,157
-	-	-	-	109,517	109,517	118,448	8,931
160,784	160,784	8,350	(152,434)	1,178,309	1,178,309	1,339,062	160,753
-	-	-	-	-	126,419	55,016	71,403
-	-	-	-	-	89,088	80,784	8,304
-	-	-	-	-	9,953	9,953	-
-	75,841	75,841	-	-	186,065	170,223	15,842
-	-	-	-	-	100,217	98,123	2,094
-	-	-	-	-	603,713	598,738	4,975
-	-	-	-	-	-	-	-
-	75,841	75,841	-	-	1,115,455	1,012,837	102,618
160,784	84,943	(67,491)	152,434	1,178,309	62,854	326,225	(263,371)
(59,716)	(59,716)	(59,716)	-	(302,243)	(302,243)	(302,243)	-
$ 101,068	$ 25,227	$ (127,207)	$ (152,434)	$ 876,066	$ (239,389)	$ 23,982	$ 263,371
		177,752				47,844	
		$ 50,545				**$ 71,826**	

continued on next page

State of Indiana
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non-Major Funds (Budgetary Basis)
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Fund 6000 Funds Checking Eligible			
	Budget		Actual	Variance to Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales	1,761	1,761	2,817	1,056
Fuels	58,985	58,985	67,090	8,105
Alcohol and tobacco	9,058	9,058	9,017	(41)
Other	18,503	18,503	26,759	8,256
Total taxes	159,226	159,226	144,818	(14,408)
Current service charges	67,580	67,580	74,414	6,834
Investment income	4,897	4,897	5,946	1,049
Sales/rents	1,266	1,266	2,168	902
Grants	85,141	85,141	10,640	(74,501)
Other	153,721	153,721	211,815	58,094
Total revenues	471,831	471,831	449,801	(22,030)
Expenditures:				
Current:				
General government	-	456,401	311,914	144,487
Public safety	-	40,340	19,609	20,731
Health	-	15,090	8,762	6,328
Welfare	-	2,436	2,436	-
Conservation, culture and development	-	125,275	54,419	70,856
Education	-	11,622	7,667	3,955
Transportation	-	5,439	1,993	3,446
Total expenditures	-	656,603	406,800	249,803
Excess of revenues over (under) expenditures	471,831	(184,772)	43,001	(227,773)
Other financing sources (uses):				
Total other financing sources (uses)	49,613	49,613	49,613	-
Net change in fund balances	$ 521,444	$ (135,159)	$ 92,614	$ 227,773
Fund balances July 1, as restated			370,014	
Fund balances June 30			**$ 462,628**	

Other Non-Major Special Revenue Funds			
Budget		Actual	Variance to Final Budget
Original	Final		
41,267	41,267	48,753	7,486
150,873	150,873	149,166	(1,707)
35,277	35,277	39,475	4,198
90,940	90,940	95,220	4,280
318,357	318,357	332,614	14,257
264,548	264,548	243,023	(21,525)
6,387	6,387	6,234	(153)
6,283	6,283	6,041	(242)
549,799	549,799	545,726	(4,073)
46,134	46,134	65,861	19,727
1,191,508	1,191,508	1,199,499	7,991
33,362	122,681	119,250	3,431
84,224	127,983	117,479	10,504
8,640	41,138	31,361	9,777
-	632,227	539,732	92,495
177,539	492,103	312,795	179,308
2,344	293,716	288,805	4,911
135,905	274,804	249,825	24,979
442,014	1,984,652	1,659,247	325,405
749,494	(793,144)	(459,748)	(333,396)
545,699	545,699	545,699	-
$ 1,295,193	$ (247,445)	$ 85,951	$ 333,396
		715,592	
		$ 801,543	

Budget/GAAP Reconciliation
Nonmajor Special Revenue Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

(amounts expressed in thousands)	**Nonmajor Special Revenue Funds**
Net change in fund balances (budgetary basis)	$ 46,651
Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:	
Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)	862,348
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	(763,856)
Funds not subject to legally adopted budget	1,550
Net change in fund balances (GAAP basis)	**$ 146,693**

NON-MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds account for operations established to provide services to the general public in a manner similar to private business enterprises. Cost of providing the goods or services are financed or recovered primarily through fees and user charges. The non-major enterprise funds are as follows:

Residual Malpractice Insurance Authority – IC 34-18-17 created the residual malpractice insurance authority to make malpractice liability insurance available to those who cannot obtain this coverage through other insurers. The Indiana Department of Insurance is the designated residual malpractice insurance authority per State law. Revenues are from the premiums collected.

Inns and Concessions - This fund accounts for the operations of various State Park Inns which provide lodging throughout the year for park tourists, and for the restaurant and concessions at Fort Benjamin Harrison.

State of Indiana
Combining Statement of Fund Net Assets
Non-Major Proprietary Funds
June 30, 2008
(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Assets			
Current assets:			
Cash, cash equivalents and investments - unrestricted	$ 61,807	$ 4,492	**$ 66,299**
Receivables:			
Accounts	548	398	**946**
Interest	688	-	**688**
Inventory	-	608	**608**
Prepaid expenses	-	45	**45**
Total current assets	63,043	5,543	**68,586**
Noncurrent assets:			
Capital assets:			
Construction in progress	-	3,056	**3,056**
Property, plant, and equipment	-	22,802	**22,802**
Less accumulated depreciation	-	(12,185)	**(12,185)**
Total capital assets, net of depreciation	-	13,673	**13,673**
Total noncurrent assets	-	13,673	**13,673**
Total assets	**63,043**	**19,216**	**82,259**
Liabilities			
Current liabilities:			
Accounts payable	-	576	**576**
Claims payable	2,737	-	**2,737**
Salaries and benefits payable	-	452	**452**
Accrued liability for compensated absences	-	186	**186**
Deferred revenue	3,217	3,220	**6,437**
Other liabilities	88	330	**418**
Total current liabilities	6,042	4,764	**10,806**
Noncurrent liabilities:			
Accrued liability for compensated absences	-	237	**237**
Claims payable	46,974	-	**46,974**
Total noncurrent liabilities	46,974	237	**47,211**
Total liabilities	**53,016**	**5,001**	**58,017**
Net assets			
Invested in capital assets net of related debt	-	13,673	**13,673**
Unrestricted	10,027	542	**10,569**
Total net assets	**$ 10,027**	**$ 14,215**	**$ 24,242**

State of Indiana
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-Major Proprietary Funds
For the Fiscal Year Ended June 30, 2008

(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Operating revenues:			
Sales/rents/premiums	$ 7,088	$ 21,259	**$ 28,347**
Other	-	243	**243**
Total operating revenues	7,088	21,502	**28,590**
Cost of sales	-	4,013	**4,013**
Gross margin	7,088	17,489	**24,577**
Operating expenses:			
General and administrative expense	1,126	18,109	**19,235**
Claims expense	465	-	**465**
Depreciation and amortization	-	582	**582**
Other	-	185	**185**
Total operating expenses	1,591	18,876	**20,467**
Operating income (loss)	5,497	(1,387)	**4,110**
Nonoperating revenues (expenses):			
Interest and other investment income	5,026	118	**5,144**
Total nonoperating revenues (expenses)	5,026	118	**5,144**
Income before contributions and transfers	10,523	(1,269)	**9,254**
Transfers in	-	3,699	**3,699**
Change in net assets	10,523	2,430	**12,953**
Total net assets, July 1, as restated	**(496)**	**11,785**	**11,289**
Total net assets, June 30	**$ 10,027**	**$ 14,215**	**$ 24,242**

State of Indiana
Combining Statement of Cash Flows
Non-Major Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Cash flows from operating activities:			
Cash received from customers	$ 6,032	$ 21,695	**$ 27,727**
Cash paid for general and administrative	(1,369)	(18,153)	**(19,522)**
Cash paid to suppliers	-	(4,031)	**(4,031)**
Cash paid for claims expense	(3,184)	-	**(3,184)**
Net cash provided (used) by operating activities	1,479	(489)	**990**
Cash flows from capital and related financing activities:			
Acquisition/construction of capital assets	-	(3,150)	**(3,150)**
Capital contributions	-	3,699	**3,699**
Net cash provided (used) by capital and related financing activities	-	549	**549**
Cash flows from investing activities:			
Proceeds from sales of investments	9,402	-	**9,402**
Purchase of investments	(12,555)	-	**(12,555)**
Interest income (expense) on investments	2,233	118	**2,351**
Net cash provided (used) by investing activities	(920)	118	**(802)**
Net increase (decrease) in cash and cash equivalents	559	178	**737**
Cash and cash equivalents, July 1, as restated	1,853	3,869	**5,722**
Cash and cash equivalents, June 30	**$ 2,412**	**$ 4,047**	**$ 6,459**
Reconciliation of cash , cash equivalents and investments:			
Cash and cash equivalents unrestricted at end of year	$ 2,412	$ 4,047	**$ 6,459**
Cash and cash equivalents restricted at end of year	-	-	**-**
Investments unrestricted	59,395	445	**59,840**
Cash, cash equivalents and investments per balance sheet	**$ 61,807**	**$ 4,492**	**$ 66,299**
Noncash investing, capital and financing activities:			
Increase in fair value of investments	$ 2,796	$ -	**$ 2,796**

State of Indiana
Combining Statement of Cash Flows
Non-Major Proprietary Funds
For the Fiscal Year Ended June 30, 2008

(amounts expressed in thousands)

	Residual Malpractice Insurance Authority	Inns and Concessions	Total
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	$ 5,497	$ (1,387)	**$ 4,110**
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization expense	-	582	**582**
(Increase) decrease in receivables	(548)	30	**(518)**
(Increase) decrease in inventory	-	(18)	**(18)**
(Increase) decrease in prepaid expenses	-	(14)	**(14)**
(Increase) decrease in claims payable	(2,719)	-	**(2,719)**
Increase (decrease) in accounts payable	-	59	**59**
Increase (decrease) in deferred revenue	(508)	145	**(363)**
Increase (decrease) in salaries payable	-	54	**54**
Increase (decrease) in compensated absences	-	17	**17**
Increase (decrease) in other payables	(243)	43	**(200)**
Net cash provided (used) by operating activities	**$ 1,479**	**$ (489)**	**$ 990**

INTERNAL SERVICE FUNDS

Internal Service Funds account for the operations of State agencies that supply goods or services to other agencies of governmental units on a cost-reimbursement basis.

Institutional Industries - This fund accounts for revenues and expenses incurred from the operation of inmate employment programs. Goods produced or manufactured as a result of such programs are sold to state agencies and political subdivisions of the State as well as to the general public.

Administrative Services Revolving – This fund is used to account for the following rotary funds.

Information Technology Services provides telecommunications and data processing services to State agencies. Revenues consist of charges to user agencies.

Motor Pool Rotary Fund accounts for the operation and maintenance of State garages including the servicing and repair of all automotive equipment owned or controlled by the State. Revenues consist of charges to user agencies.

Printing Rotary Fund accounts for the operation of the State Print Shop, which provides printing services to other State agencies. Revenues consist of charges to user agencies.

General Services Rotary accounts for postal service charges to agencies. Revenues consist of charges to user agencies.

Aviation Rotary Fund accounts for the operation and maintenance of state aircraft. Revenues consist of charges to user agencies.

Self-Insurance Funds - The self-insurance funds consist of the **State Police Health Insurance Fund, State Employee Disability Fund, and the State Employee Health Insurance Fund.** These funds administer health insurance and disability plans for state employees and state police personnel.

State of Indiana
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	Total
Assets						
Current assets:						
Cash, cash equivalents and investments - unrestricted	$ 2,073	$ 24,312	$ 7,494	$ 14,700	$ 79,660	**$ 128,239**
Receivables:						
Accounts	2,941	1,352	1,147	1,492	757	**7,689**
Interfund services provided	2,525	8,777	-	-	-	**11,302**
Inventory	5,516	286	-	-	-	**5,802**
Prepaid expenses	-	3,956	-	-	-	**3,956**
Total current assets	13,055	38,683	8,641	16,192	80,417	**156,988**
Noncurrent assets:						
Capital assets:						
Construction in progress	25	-	-	-	-	**25**
Property, plant, and equipment	19,748	27,561	-	-	-	**47,309**
Less accumulated depreciation	(9,769)	(15,893)	-	-	-	**(25,662)**
Total capital assets, net of depreciation	10,004	11,668	-	-	-	**21,672**
Other assets	5	-	-	-	-	**5**
Total noncurrent assets	10,009	11,668	-	-	-	**21,677**
Total assets	**23,064**	**50,351**	**8,641**	**16,192**	**80,417**	**178,665**
Liabilities						
Current liabilities:						
Accounts payable	6,181	4,149	-	45	260	**10,635**
Salaries and benefits payable	361	1,027	-	-	-	**1,388**
Capital lease payable	466	-	-	-	-	**466**
Health/disability benefits payable	-	-	2,883	4,281	30,138	**37,302**
Accrued liability for compensated absences	428	1,514	-	-	-	**1,942**
Deferred revenue	2	514	-	-	-	**516**
Other liabilities	41	-	-	-	-	**41**
Total current liabilities	7,479	7,204	2,883	4,326	30,398	**52,290**
Noncurrent liabilities:						
Accrued liability for compensated absences	388	1,372	-	-	-	**1,760**
Capital lease payable	8,490	-	-	-	-	**8,490**
Total noncurrent liabilites	8,878	1,372	-	-	-	**10,250**
Total liabilities	**16,357**	**8,576**	**2,883**	**4,326**	**30,398**	**62,540**
Net assets						
Invested in capital assets net of related debt	1,048	11,668	-	-	-	**12,716**
Unrestricted (deficit)	5,659	30,107	5,758	11,866	50,019	**103,409**
Total net assets	**$ 6,707**	**$ 41,775**	**$ 5,758**	**$ 11,866**	**$ 50,019**	**$ 116,125**

State of Indiana
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	Total
Operating revenues:						
Sales/rents/premiums	$ 53,160	$ 112,599	$ 27,478	$ 31,264	$ 258,514	**$ 483,015**
Charges for services	-	901	-	491	-	**1,392**
Other	155	-	270	-	-	**425**
Total operating revenues	53,315	113,500	27,748	31,755	258,514	**484,832**
Cost of sales	33,487	2,161	-	-	-	**35,648**
Gross margin	19,828	111,339	27,748	31,755	258,514	**449,184**
Operating expenses:						
General and administrative expense	11,808	93,226	1,192	1,177	13,915	**121,318**
Health / disability benefit payments	-	-	25,044	23,816	223,677	**272,537**
Depreciation and amortization	1,192	4,552	-	-	-	**5,744**
Total operating expenses	13,000	97,778	26,236	24,993	237,592	**399,599**
Operating income (loss)	6,828	13,561	1,512	6,762	20,922	**49,585**
Nonoperating revenues (expenses):						
Interest and other investment income	3	-	-	-	-	**3**
Interest and other investment expense	(724)	-	-	-	-	**(724)**
Gain (Loss) on disposition of assets	628	(112)	-	-	-	**516**
Other	(2,853)	-	-	-	-	**(2,853)**
Total nonoperating revenues (expenses)	(2,946)	(112)	-	-	-	**(3,058)**
Income before contributions and transfers	3,882	13,449	1,512	6,762	20,922	**46,527**
Capital contributions	-	2,316	-	-	-	**2,316**
Transfers in	2,880	-	-	-	-	**2,880**
Transfers (out)	(14,130)	-	-	-	-	**(14,130)**
Change in net assets	(7,368)	15,765	1,512	6,762	20,922	**37,593**
Total net assets, July 1, as restated	14,075	26,010	4,246	5,104	29,097	**78,532**
Total net assets, June 30	**$ 6,707**	**$ 41,775**	**$ 5,758**	**$ 11,866**	**$ 50,019**	**$ 116,125**

State of Indiana
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	Total
Cash flows from operating activities:						
Cash received from customers	$ 55,993	$ 110,791	$ 27,453	$ 31,465	$ 258,254	**$ 483,956**
Cash paid for general and administrative	(11,763)	(92,672)	(1,231)	(1,171)	(13,833)	**(120,670)**
Cash paid for salary/health/disability benefit payments	-	-	(24,211)	(23,166)	(211,748)	**(259,125)**
Cash paid to suppliers	(31,869)	(1,499)	-	-	-	**(33,368)**
Net cash provided (used) by operating activities	12,361	16,620	2,011	7,128	32,673	**70,793**
Cash flows from noncapital financing activities:						
Transfers in	2,880	-	-	-	-	**2,880**
Transfers out	(14,130)	-	-	-	-	**(14,130)**
Other	(605)	(727)	-	-	-	**(1,332)**
Net cash provided (used) by noncapital financing activities	(11,855)	(727)	-	-	-	**(12,582)**
Cash flows from capital and related financing activities:						
Acquisition/construction of capital assets	(118)	(5,669)	-	-	-	**(5,787)**
Proceeds from sale of assets	674	287	-	-	-	**961**
Principal payments -- capital leases	(466)	-	-	-	-	**(466)**
Interest paid	(724)	-	-	-	-	**(724)**
Net cash provided (used) by capital and related financing activities	(634)	(5,382)	-	-	-	**(6,016)**
Cash flows from investing activities:						
Interest income (expense) on investments	3	-	-	-	-	**3**
Net cash provided (used) by investing activities	3	-	-	-	-	**3**
Net increase (decrease) in cash and cash equivalents	(125)	10,511	2,011	7,128	32,673	**52,198**
Cash and cash equivalents, July 1	2,198	13,801	5,483	7,572	46,987	**76,041**
Cash and cash equivalents, June 30	**$ 2,073**	**$ 24,312**	**$ 7,494**	**$ 14,700**	**$ 79,660**	**$ 128,239**
Reconciliation of cash , cash equivalents and investments:						
Cash and cash equivalents unrestricted at end of year	$ 2,073	$ 24,312	$ 7,494	$ 14,700	$ 79,660	**$ 128,239**
Cash, cash equivalents and investments per balance sheet	**$ 2,073**	**$ 24,312**	**$ 7,494**	**$ 14,700**	**$ 79,660**	**$ 128,239**

State of Indiana
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

	Institutional Industries	Administrative Services Revolving	State Police Health Insurance Fund	State Employee Disability Fund	State Employee Health Insurance Fund	Total
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ 6,828	$ 13,561	$ 1,512	$ 6,762	$ 20,922	**$ 49,585**
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation/amortization expense	1,192	4,552	-	-	-	**5,744**
(Increase) decrease in receivables	1,631	452	(295)	(291)	(260)	**1,237**
(Increase) decrease in interfund services provided	1,063	(2,297)	-	-	-	**(1,234)**
(Increase) decrease in inventory	1,275	(47)	-	-	-	**1,228**
(Increase) decrease in prepaid expenses	-	383	-	-	-	**383**
Increase (decrease) in health and disability benefits payable	-	-	833	7	11,929	**12,769**
Increase (decrease) in accounts payable	343	328	(39)	650	82	**1,364**
Increase (decrease) in deferred revenue	(15)	(865)	-	-	-	**(880)**
Increase (decrease) in salaries payable	29	197	-	-	-	**226**
Increase (decrease) in compensated absences	(25)	356	-	-	-	**331**
Increase (decrease) in other payables	40	-	-	-	-	**40**
Net cash provided (used) by operating activities	**$ 12,361**	**$ 16,620**	**$ 2,011**	**$ 7,128**	**$ 32,673**	**$ 70,793**

FIDUCIARY FUNDS

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others.

PENSION TRUST FUNDS

Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other post-employment benefit plans.

The Public Employees' Retirement Fund – This fund is a defined benefit agent multiple-employer plan administered by the Public Employees' Retirement Fund Board of Trustees.

The State Teachers' Retirement Fund – This fund is a defined benefit, multiple-employer cost-sharing public employee retirement system, administered by the Indiana State Teachers' Retirement Fund Board of Trustees.

State Police Pension Fund - This fund is used to account for assets held for a defined benefit, single-employer public employee retirement system administered by the Indiana State Police.

PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments.

Abandoned Property Fund - This fund is used to administer abandoned property of individuals, private organizations and other governments held by the State.

Private-Purpose Trust Fund - This fund is used to account for a group of fund centers under which principal and interest benefit individuals, private organizations, or other governments.

FIDUCIARY FUNDS

AGENCY FUNDS

Agency funds account for resources that are custodial in nature. They generally are amounts held by the State of Indiana on behalf of third parties.

Employee Payroll, Withholding and Benefits Funds - These funds are used for the disposition of various payroll-related deductions and contributions such as social security and insurance contributions.

Local Distributions Fund - This fund is composed of accounts used to distribute revenue collections to local units of government based upon statutory formulas.

Child Support Fund - This fund is used for the collection and distribution of child support payments.

Department of Insurance Fund - This fund includes security deposits of insurance companies, health maintenance organizations and third party administrators as required.

Other agency funds are composed of various escrows, revenue collection, and agency accounts for which the State acts in an agent capacity until proper disposition of the assets can be made.

State of Indiana
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2008
(amounts expressed in thousands)

	Primary Government	Discrete Component Units		
	State Police Pension Fund	Public Employees' Retirement System	State Teachers' Retirement Fund	Total
Assets:				
Cash and cash equivalents	$ 25,222	$ 747,349	$ 811,941	**$ 1,584,512**
Securities lending collateral	-	2,036,840	1,217,423	**3,254,263**
Receivables:				
Contributions	302	138,587	70,940	**209,829**
Interest	912	44,421	30,138	**75,471**
Member loans	2,457	779	-	**3,236**
Due from component unit	-	588	2,910	**3,498**
Due from other funds	-	19,454	-	**19,454**
From investment sales	23,525	755,281	1,873,893	**2,652,699**
Total receivables	27,196	959,110	1,977,881	**2,964,187**
Investments at fair value:				
Equity Securities	86,076	7,246,835	3,995,986	**11,328,897**
Debt Securities	112,157	3,520,868	2,859,697	**6,492,722**
Mutual Funds	156,923	3,375,763	-	**3,532,686**
Other	-	1,002,286	681,790	**1,684,076**
Total investments	355,156	15,145,752	7,537,474	**23,038,382**
Capital assets:				
Property, plant and equipment	-	3,527	187	**3,714**
less accumulated depreciation	-	(601)	(186)	**(787)**
Total assets	**$ 407,574**	**$ 18,891,977**	**$ 11,544,720**	**$ 30,844,271**
Liabilities and fund balances:				
Liabilities:				
Accounts payable	$ -	$ 12,151	$ 6,517	**$ 18,668**
Salaries and benefits payable	-	703	164	**867**
Due to other funds	-	19,454	-	**19,454**
Due to component unit	-	2,910	588	**3,498**
Compensated absences	-	244	130	**374**
Securities purchased payable	46,966	1,082,596	1,755,940	**2,885,502**
Securities lending collateral	-	2,036,840	1,217,423	**3,254,263**
Other liabilities	159	-	-	**159**
Total liabilities	**47,125**	**3,154,898**	**2,980,761**	**6,182,784**
Net assets:				
Held in trust for:				
Employees' pension benefits	360,449	15,737,079	8,563,959	**24,661,487**
Total net assets	**$ 360,449**	**$ 15,737,079**	**$ 8,563,959**	**$ 24,661,487**

State of Indiana
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2008

(amounts expressed in thousands)

	Primary Government	Discrete Component Units		
	State Police Pension Fund	**Public Employees' Retirement System**	**State Teachers' Retirement Fund**	**Total**
Additions:				
Member contributions	$ 3,684	$ 198,132	$ 123,928	**$ 325,744**
Employer contributions	13,400	454,474	778,129	**1,246,003**
Contributions from the State of Indiana	-	62,038	30,000	**92,038**
Net investment income (loss)	(20,848)	(1,199,490)	(301,085)	**(1,521,423)**
Less investment expense	(1,170)	(172,007)	(79,995)	**(253,172)**
Transfers from other retirement funds	-	6,419	3,188	**9,607**
Other	-	405	-	**405**
Total additions	(4,934)	(650,029)	554,165	**(100,798)**
Deductions:				
Pension and disability benefits	25,789	574,022	950,895	**1,550,706**
Death benefits	-	1,008	-	**1,008**
Refunds of contributions and interest	-	49,977	10,463	**60,440**
Administrative	152	24,963	6,872	**31,987**
Pension relief distributions	-	134,948	-	**134,948**
Depreciation	-	-	9	**9**
Transfers to other retirement funds	-	6,847	2,761	**9,608**
Other	-	2,422	-	**2,422**
Total deductions	25,941	794,187	971,000	**1,791,128**
Net increase (decrease) in net assets	(30,875)	(1,444,216)	(416,835)	**(1,891,926)**
Net assets held in trust for pension benefits, July 1, as restated	391,324	17,181,295	8,980,794	**26,553,413**
Net assets held in trust for pension benefits, June 30	**$ 360,449**	**$ 15,737,079**	**$ 8,563,959**	**$ 24,661,487**

State of Indiana
Combining Statement of Net Assets
Private-Purpose Trust Funds
June 30, 2008

(amounts expressed in thousands)

	Abandoned Property Fund	Private-Purpose Trust Fund	Total
Assets:			
Cash, cash equivalents and investments	$ 25,924	$ 18,529	**$ 44,453**
Securities lending collateral	-	9,435	**9,435**
Receivables:			
Securities lending	-	11	**11**
Interest	1	5	**6**
Total assets	**25,925**	**27,980**	**53,905**
Liabilities:			
Accounts payable	4,585	1,786	**6,371**
Securities lending payable	-	11	**11**
Securities lending collateral	-	9,435	**9,435**
Total liabilities	**4,585**	**11,232**	**15,817**
Net assets:			
Held in trust for trust beneficiaries	21,340	16,748	**38,088**
Total net assets	**$ 21,340**	**$ 16,748**	**$ 38,088**

State of Indiana
Combining Statement of Changes in Net Assets
Private-Purpose Trust Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Abandoned Property Fund	Private-Purpose Trust Fund	Total
Additions:			
Investment Income	$ 102	$ 1,107	**$ 1,209**
Member contributions	2	83,108	**83,110**
Donations/escheats	73,535	3,839	**77,374**
Total additions	73,639	88,054	**161,693**
Deductions:			
Payments to participants/beneficiaries	67,326	92,101	**159,427**
Total deductions	67,326	92,101	**159,427**
Net increase (decrease) in net assets	6,313	(4,047)	**2,266**
Net assets held in trust, July 1, as restated	15,027	20,795	**35,822**
Net assets held in trust, June 30	**$ 21,340**	**$ 16,748**	**$ 38,088**

State of Indiana
Combining Statement of Net Assets
Agency Funds
June 30, 2008
(amounts expressed in thousands)

	Employee Payroll, Witholding and Benefits	Local Distributions	Child Support	Department of Insurance	Other Agency Funds	Total
Assets:						
Cash, cash equivalents and investments	$ 5,161	$ 180,774	$ 36,197	$ 266,577	$ 28,855	**$ 517,564**
Receivables:						
Taxes	-	-	-	-	16,754	**16,754**
Securities lending	-	188	-	-	-	**188**
Other	-	-	-	-	74	**74**
Securities lending collateral	-	100,750	-	-	-	**100,750**
Other assets	60,547	-	75,455	-	16,503	**152,505**
Total assets	**$ 65,708**	**$ 281,712**	**$ 111,652**	**$ 266,577**	**$ 62,186**	**$ 787,835**
Liabilities:						
Accounts/escrows payable	$ 17,789	$ 180,774	$ 111,652	$ 266,577	$ 45,432	**$ 622,224**
Securities lending payable	-	188	-	-	-	**188**
Securities lending collateral	-	100,750	-	-	-	**100,750**
Other liabilities	47,919	-	-	-	16,754	**64,673**
Total liabilities	**$ 65,708**	**$ 281,712**	**$ 111,652**	**$ 266,577**	**$ 62,186**	**$ 787,835**

State of Indiana
Combining Statement of Changes In Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008

(amounts expressed in thousands)

	Balance, July 1	Additions	Deductions	Balance, June 30
Employee Payroll, Witholding and Benefits				
Assets:				
Cash, cash equivalents, and investments	$ 7,720	$ 2,015,656	$ 2,018,215	**$ 5,161**
Other assets	73,669	60,547	73,669	**60,547**
Total assets	$ 81,389	$ 2,076,203	$ 2,091,884	**$ 65,708**
Liabilities:				
Accounts / escrows payable	$ 80,923	$ 2,028,284	$ 2,091,418	**$ 17,789**
Other liabilities	466	47,919	466	**47,919**
Total liabilities	$ 81,389	$ 2,076,203	$ 2,091,884	**$ 65,708**
Local Distributions				
Assets:				
Cash, cash equivalents, and investments	$ 105,667	$ 1,492,155	$ 1,417,048	**$ 180,774**
Receivables	390	188	390	**188**
Securities lending collateral	90,350	10,400	-	**100,750**
Total assets	$ 196,407	$ 1,502,743	$ 1,417,438	**$ 281,712**
Liabilities:				
Accounts / escrows payable	$ 105,667	$ 1,492,155	$ 1,417,048	**$ 180,774**
Securities lending collateral	90,350	10,400	-	**100,750**
Other liabilities	390	188	390	**188**
Total liabilities	$ 196,407	$ 1,502,743	$ 1,417,438	**$ 281,712**
Child Support				
Assets:				
Cash, cash equivalents, and investments	$ 30,528	$ 741,841	$ 736,172	**$ 36,197**
Other assets	53,146	75,455	53,146	**75,455**
Total assets	$ 83,674	$ 817,296	$ 789,318	**$ 111,652**
Liabilities:				
Accounts / escrows payable	$ 83,674	$ 817,296	$ 789,318	**$ 111,652**
Total liabilities	$ 83,674	$ 817,296	$ 789,318	**$ 111,652**

continued on next page

State of Indiana
Combining Statement of Changes In Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Balance, July 1	Additions	Deductions	Balance, June 30
Department of Insurance				
Assets:				
Cash, cash equivalents, and investments	$ 287,544	$ 1,290	$ 22,257	**$ 266,577**
Total assets	$ 287,544	$ 1,290	$ 22,257	**$ 266,577**
Liabilities:				
Accounts / escrows payable	$ 287,544	$ 1,290	$ 22,257	**$ 266,577**
Total liabilities	$ 287,544	$ 1,290	$ 22,257	**$ 266,577**
Other Agency Funds				
Assets:				
Cash, cash equivalents, and investments	$ 40,796	$ 643,141	$ 655,082	**$ 28,855**
Receivables	15,710	16,828	15,710	**16,828**
Other assets	14,870	16,503	14,870	**16,503**
Total assets	$ 71,376	$ 676,472	$ 685,662	**$ 62,186**
Liabilities:				
Accounts / escrows payable	$ 55,728	$ 659,718	$ 670,014	**$ 45,432**
Other liabilities	15,648	16,754	15,648	**16,754**
Total liabilities	$ 71,376	$ 676,472	$ 685,662	**$ 62,186**
Total Agency Funds				
Assets:				
Cash, cash equivalents, and investments	**$ 472,255**	**$ 4,894,083**	**$ 4,848,774**	**$ 517,564**
Receivables	**16,100**	**17,016**	**16,100**	**17,016**
Securities lending collateral	**90,350**	**10,400**	**-**	**100,750**
Other assets	**141,685**	**152,505**	**141,685**	**152,505**
Total assets	**$ 720,390**	**$ 5,074,004**	**$ 5,006,559**	**$ 787,835**
Liabilities:				
Accounts / escrows payable	**$ 613,536**	**$ 4,998,743**	**$ 4,990,055**	**$ 622,224**
Securities lending collateral	**90,350**	**10,400**	**-**	**100,750**
Other liabilities	**16,504**	**64,861**	**16,504**	**64,861**
Total liabilities	**$ 720,390**	**$ 5,074,004**	**$ 5,006,559**	**$ 787,835**

NON-MAJOR DISCRETELY PRESENTED COMPONENT UNITS

PROPRIETARY FUNDS

Proprietary component units represent funds that are legally separate from the State of Indiana, but provide valuable and beneficial services to the State and its citizens. The non-major discretely presented component units consist of the following proprietary funds:

White River State Park Development Commission – The responsibility of this commission is to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county.

Indiana Comprehensive Health Insurance Association – The responsibility of this Association is to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage.

COLLEGES AND UNIVERSITIES

College and university funds are used to account for the operations of state-supported colleges and universities. The non-major discretely presented component units consist of the following institutions:

Ball State University
Indiana State University
Ivy Tech Community College of Indiana
University of Southern Indiana
Vincennes University

State of Indiana
Combining Statement of Net Assets
Non-Major Discretely Presented Component Units - Proprietary Funds
June 30, 2008
(amounts expressed in thousands)

	White River State Park Development Commission	Indiana Comprehensive Health Insurance Association	Totals
Assets			
Current assets:			
Cash, cash equivalents and investments	$ 4,335	$ 15,935	**$ 20,270**
Receivables (net)	116	2,599	**2,715**
Inventory	12	-	**12**
Prepaid expenses	105	-	**105**
Total current assets	4,568	18,534	**23,102**
Noncurrent assets:			
Cash, cash equivalents and investments - restricted	150	-	**150**
Capital assets:			
Land	79,531	-	**79,531**
Property, plant, and equipment	42,162	-	**42,162**
Less accumulated depreciation	(12,480)	-	**(12,480)**
Total capital assets, net of depreciation	109,213	-	**109,213**
Total noncurrent assets	109,363	-	**109,363**
Total assets	**113,931**	**18,534**	**132,465**
Liabilities			
Current liabilities:			
Accounts payable	291	-	**291**
Claims payable	-	11,109	**11,109**
Salaries, health, disability, and benefits payable	94	-	**94**
Deferred revenue	-	8,136	**8,136**
Other current liabilities	-	1,050	**1,050**
Total current liabilities	385	20,295	**20,680**
Total liabilities	**385**	**20,295**	**20,680**
Net assets			
Invested in capital assets net of related debt	109,213	-	**109,213**
Restricted-expendable			
Grants/constitutional restrictions	-	346	**346**
Capital projects	1,307	-	**1,307**
Total restricted-expendable	1,307	346	**1,653**
Unrestricted (deficit)	3,026	(2,107)	**919**
Total net assets	**$ 113,546**	**$ (1,761)**	**$ 111,785**

State of Indiana
Combining Statement of Activities
Non-Major Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	White River State Park Development Commission	Indiana Comprehensive Health Insurance Association	Total
White River State Park Development Commission	$ 4,859	$ 2,717	$ 147	$ -	$ (1,995)	$ -	$ (1,995)
Indiana Comprehensive Health Insurance Association	96,652	87,792	490	-	-	(8,370)	(8,370)
Total component units	$ 101,511	$ 90,509	$ 637	$ -	(1,995)	(8,370)	(10,365)
General revenues:							
Investment earnings					138	987	1,125
Payments from State of Indiana					1,157	-	1,157
Total general revenues					1,295	987	2,282
Change in net assets					(700)	(7,383)	(8,083)
Net assets - beginning, as restated					114,246	5,622	119,868
Net assets - ending					$ 113,546	$ (1,761)	$ 111,785

State of Indiana
Combining Statement of Net Assets
Non-Major Discretely Presented Component Units - Colleges and Universities
June 30, 2008
(amounts expressed in thousands)

	Ball State University	Indiana State University	Ivy Tech Community College	University of Southern Indiana	Vincennes University	Totals
Assets						
Current assets:						
Cash, cash equivalents and investments	$ 76,061	$ 87,362	$ 40,584	$ 58,769	$ 52,514	**$ 315,290**
Receivables (net)	53,623	8,907	50,626	8,908	8,203	**130,267**
Inventory	1,552	246	-	1,574	1,575	**4,947**
Prepaid expenses	1,685	478	14,516	7	146	**16,832**
Due from primary government	3,339	2,152	3,062	806	902	**10,261**
Funds held in trust by others	11,547	-	6,550	50	12	**18,159**
Other postemployment benefits	6,303	-	-	-	-	**6,303**
Other current assets	-	61	-	1,438	672	**2,171**
Total current assets	154,110	99,206	115,338	71,552	64,024	**504,230**
Noncurrent assets:						
Cash, cash equivalents and investments - restricted	896	58,786	-	157	-	**59,839**
Other receivables	10,476	7,387	4,000	-	662	**22,525**
Investments - unrestricted	427,327	53,527	96,023	92,773	101,975	**771,625**
Bond issuance costs net of amortization	174	-	-	-	-	**174**
Other postemployment benefits	-	34	-	-	1,157	**1,191**
Other noncurrent assets	6,549	6,388	853	4,739	255	**18,784**
Capital assets:						
Land	50,458	24,296	19,427	6,578	13,967	**114,726**
Infrastructure	15,510	33,630	10,696	3,649	-	**63,485**
Construction in progress	14,905	37,511	10,601	7,810	18,414	**89,241**
Property, plant, and equipment	582,227	389,759	483,694	218,638	191,026	**1,865,344**
Less accumulated depreciation	(248,572)	(221,386)	(140,708)	(99,304)	(83,786)	**(793,756)**
Total capital assets, net of depreciation	414,528	263,810	383,710	137,371	139,621	**1,339,040**
Total noncurrent assets	859,950	389,932	484,586	235,040	243,670	**2,213,178**
Total assets	**1,014,060**	**489,138**	**599,924**	**306,592**	**307,694**	**2,717,408**
Liabilities						
Current liabilities:						
Accounts payable	33,465	4,971	13,009	1,772	5,541	**58,758**
Interest payable	-	1,072	-	1,746	-	**2,818**
Current portion of long-term debt	8,022	11,951	21,120	7,453	3,245	**51,791**
Capital lease payable	-	-	-	-	43	**43**
Salaries, health, disability, and benefits payable	-	3,281	6,890	4,994	5,095	**20,260**
Deferred revenue	8,765	1,765	21,451	-	1,715	**33,696**
Accrued liability for compensated absences	-	-	-	-	1,278	**1,278**
Other postemployment benefits	-	-	683	-	-	**683**
Deposits held in custody for others	5,173	716	5,581	-	407	**11,877**
Other current liabilities	1,342	4,946	-	1,686	14,281	**22,255**
Total current liabilities	56,767	28,702	68,734	17,651	31,605	**203,459**
Long-term liabilities:						
Accrued liability for compensated absences	7,905	861	3,619	2,507	-	**14,892**
Other postemployment benefits	-	-	2,569	256	-	**2,825**
Deferred revenue	2,535	-	-	24	-	**2,559**
Capital lease payable	-	-	-	-	19	**19**
Funds held in trust by others	-	-	-	-	15,277	**15,277**
Advances from federal government	-	7,706	-	-	1,116	**8,822**
Revenue bonds/notes payable	163,558	92,865	203,003	116,742	51,815	**627,983**
Other noncurrent liabilities	16,261	1,321	132	2,688	127	**20,529**
Total long-term liabilities	190,259	102,753	209,323	122,217	68,354	**692,906**
Total liabilities	**247,026**	**131,455**	**278,057**	**139,868**	**99,959**	**896,365**
Net assets						
Invested in capital assets net of related debt	256,317	161,979	139,112	15,791	71,235	**644,434**
Restricted-nonexpendable						
Instruction and research	912	-	-	-	-	**912**
Student aid	-	2,945	-	-	3,073	**6,018**
Other purposes	-	-	18,100	-	1,159	**19,259**
Total restricted-nonexpendable	912	2,945	18,100	-	4,232	**26,189**
Restricted-expendable						
Instruction and research	80,420	1,442	2,292	10,312	-	**94,466**
Grants/constitutional restrictions	5,432	-	5,328	-	-	**10,760**
Endowments	-	-	58	-	19,374	**19,432**
Future debt service	2,995	5	-	-	-	**3,000**
Public safety programs	7,016	-	-	-	-	**7,016**
Student aid	65,374	-	3,196	34,766	2,493	**105,829**
Auxiliary enterprises	2,381	-	-	1,111	-	**3,492**
Capital projects	67,718	30,628	30,910	699	10,732	**140,687**
Repairs and rehabilitation	-	-	-	806	-	**806**
Other purposes	10,663	-	3,985	6,347	-	**20,995**
Total restricted-expendable	241,999	32,075	45,769	54,041	32,599	**406,483**
Unrestricted (deficit)	267,806	160,684	118,886	96,892	99,669	**743,937**
Total net assets	**$ 767,034**	**$ 357,683**	**$ 321,867**	**$ 166,724**	**$ 207,735**	**$ 1,821,043**

State of Indiana
Combining Statement of Activities
Non-Major Discretely Presented Component Units - Colleges and Universities
For the Fiscal Year Ended June 30, 2008
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Ball State University	Indiana State University	Ivy Tech State College	University of Southern Indiana	Vincennes University	Total
Ball State University	$ 388,428	$ 180,715	$ 31,480	$ 929	$ (175,304)	$ -	$ -	$ -	$ -	$ (175,304)
Indiana State University	190,702	72,469	17,011	2,520	-	(98,702)	-	-	-	(98,702)
Ivy Tech Community College	447,939	159,783	24,022	1,087	-	-	(263,047)	-	-	(263,047)
University of Southern Indiana	116,473	58,080	16,742	801	-	-	-	(40,850)	-	(40,850)
Vincennes University	106,515	39,166	17,798	1,136	-	-	-	-	(48,415)	(48,415)
Total component units	$ 1,250,057	$ 510,213	$ 107,053	$ 6,473	(175,304)	(98,702)	(263,047)	(40,850)	(48,415)	(626,318)
General revenues:										
Investment earnings					14,768	4,909	8,324	1,139	6,241	35,381
Payments from State of Indiana					141,254	85,892	175,441	48,286	43,196	494,069
Other					46,271	23,264	93,781	2,479	13,057	178,852
Total general revenues					202,293	114,065	277,546	51,904	62,494	708,302
Change in net assets					26,989	15,363	14,499	11,054	14,079	81,984
Net assets - beginning, as restated					740,045	342,320	307,368	155,670	193,656	1,739,059
Net assets - ending					$ 767,034	$ 357,683	$ 321,867	$ 166,724	$ 207,735	$ 1,821,043